

W A R N I N G

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OUR FILE NUMBER

February 19, 1999

3311-E2
3311-E12

**FOR SETTLEMENT PURPOSES ONLY
CONTAINS BUSINESS
CONFIDENTIAL INFORMATION**

VIA FEDERAL EXPRESS

Kate Taylor, Financial Analyst
U.S. Environmental Protection Agency
Region IX
75 Hawthorne Street, SFD-7-B
San Francisco, California 94105

Re: CENCO Refining Company's ("CENCO") Response to Request
for Information, Operating Industries, Inc. ("OII") and Waste
Disposal Inc. ("WDI") Superfund Sites

Dear Ms. Taylor:

This letter is in response to the Request for Information ("Information Request") dated February 4, 1999, and received by the undersigned counsel for CENCO on February 8, 1999. CENCO's response is therefore not due until March 10, 1999. CENCO has, however, worked diligently to gather the information requested by the United States Environmental Protection Agency ("EPA") and is submitting this response early.

CENCO objects to the Information Request on the following grounds: (a) it is unduly burdensome, overly broad and repetitive of prior information requests; (b) it goes well beyond the scope of Section 104(e) of CERCLA, 42 U.S.C. § 9604(e)(2); (c) the purpose of the Information Request appears to be to engage in litigation discovery as contemplated by the Federal Rules of Civil Procedure, rather than to obtain the type of information contemplated by CERCLA; (d) the Information Request seeks information and documents from counsel (or from those acting at the direction of counsel) which are protected by the attorney-client privilege and the attorney work product doctrine. Subject to and without waiving the above objections CENCO has provided the responses set forth below.

CENCO objects to EPA's demand that it separately address for each document or response it claims is confidential the six separate items of information set forth in the Information Request. EPA's demand is premature, not supported by its own regulations, and so burdensome as to severely hamper CENCO's ability to assert a business confidentiality or trade secret claim.

CENCO is claiming business confidentiality for the entire response, including the documents accompanying the response, pursuant to Sections 104(e)(7)(E) and F of CERCLA, 42 U.S.C. §§ 9604(e)(7)(E) and (F), and Section 3007(b) of RCRA, 42 U.S.C. § 6927(b), and 40 C.F.R. § 2.203(b). The information being provided to EPA is extremely sensitive confidential business information, the disclosure of which to third parties could be to CENCO's extreme detriment and could irrevocably deprive CENCO of the opportunity to restart its business.

- (a) As noted above, CENCO claims confidentiality for the entire response, including all documents.
- (b) CENCO cannot at this time determine when the substantial harmful effects on CENCO's competitive position from disclosure would no longer exist and therefore requests permanent confidential treatment.
- (c) Except as discussed below, access to the information is limited to certain corporate officers within CENCO and its distribution is closely guarded.
- (d) The only third parties to which the confidential information is disclosed are bankers and lawyers. The documents are marked as confidential prior to disclosure and the bankers are required to execute a confidentiality agreement. The attorneys in turn are subject to the strictures of the attorney-client privilege.
- (e) EPA has previously agreed to treat (and has treated) as business confidential the same or similar information included in this Response previously provided by CENCO.
- (f) CENCO claims that disclosure of the information in this response would both substantially harm its competitive position and substantially harm its legal position in pending and/or threatened litigation. Competitors could use the financial information, for example, to undermine CENCO's credibility with shared customers, affect CENCO's ability to purchase feed-stock and make the

terms of purchase for items such as feed-stock more onerous.

In addition, again using the financial information as the example, disclosure of such information could substantially harm CENCO's position in its insurance coverage litigation and litigation regarding accounts payable and result in excessive settlement demands, which in turn would substantially harm CENCO's financial position.

RESPONSE TO QUESTIONS

- (1) ***Identify all consideration paid by CENCO, Inc. and/or CENCO Refining Co. (hereinafter collectively referred to as "CENCO") to Powerine Oil Company ("Powerine") or on Powerine's behalf, in exchange for the purchase of Powerine's assets. Include all payments of expenses, satisfaction of claims or liabilities, and distributions made to or on behalf of Powerine, its shareholders or principals, or its creditors, for transactions occurring both through the escrow and outside of the escrow.***

The response to this question is the same as to Question 1 of CENCO's January 15, 1999 response.

- (2) ***Identify what monies were expended from escrow and to whom, what monies were expended outside of escrow and to whom, what funds have been committed but not expended, and what funds remain unexpended and uncommitted. Please provide a complete copy of the closing escrow statement showing funds placed in escrow and the distribution of funds from escrow.***

A complete copy of closing escrow statement is enclosed as Attachment 1 which shows funds placed in escrow and distribution of the funds. No monies were expended or committed outside the escrow and no funds remain unexpended and uncommitted.

- (3) ***Identify all claims, expenses, and liabilities assumed from Powerine by CENCO. Also include any contingent, potential, or future consideration paid or to be paid between CENCO and Powerine.***

The response to this question is the same as to Question 1 of CENCO's January 15, 1999 response.

- (4) ***Identify the beneficiary whether by assignment or by policy of any proceeds from insurance carriers for claims arising from Powerine's environmental liabilities. Provide detail on the status of these claims, including the projected amount, timing and likelihood of receiving payment.***

The response to the first part of this question is the same as to Question 2 of CENCO's January 15, 1999 response. Among the Powerine assets purchased by CENCO are historic liability insurance policies held by Powerine from approximately 1958 through the time of CENCO's acquisition of the Refinery. For purposes of responding to environmental liabilities, Powerine had focused, and CENCO continues to focus upon liability coverage issued to Powerine for the period 1958 through 1986; 1958 represents the first year for which a Powerine liability policy can be located, and 1986 represents the first year in which the "Absolute Pollution Exclusion" was included in the Powerine policies, thereby effectively barring coverage for environmental liabilities.

In November 1997, one of Powerine's liability insurers, Highlands Insurance Company, commenced an action in the Los Angeles County Superior Court (Case No. VC 02577) seeking a judicial declaration that Highlands is not obligated to provide Powerine with either a defense or indemnity with respect to the OII site. In response to the Highlands suit, Powerine filed a cross-complaint against all of its historic liability insurers seeking declaratory relief, as well as damages for breach of contract and bad faith, pertaining to approximately ten (10) active environmental liabilities ("Coverage Action"). Upon CENCO's acquisition of the Powerine insurance assets, CENCO assumed control of the Coverage Action.

In August, 1998, the Coverage Action was dramatically impacted by the California Supreme Court's decision in *Foster-Gardner v. National Union et al.*, (1998) 18 Cal. 4th 857, modified on re-hearing, 18 D.A.R. 10254. In brief, *Foster-Gardner* holds that the insuring language in typical primary liability insurance policies requiring insurers to defend "suits" against their policyholders does not require such insurers to defend purely administrative claims that are not initiated by the filing of a complaint in a court of law.

In as much as all of the environmental liabilities in the Coverage Action derived from administrative claims, *Foster-Gardner* had a profound impact upon CENCO's pursuit of coverage. Fortunately, one of Powerine's historic first-layer umbrella insurers, Twin City Fire Insurance Company ("Twin City"), had unique policy language extending a defense in response to both "suits" and "claims." Based upon this

language, Twin City has agreed to defend (i.e. fund all required investigative and related activities) for those environmental liabilities predicated upon Cleanup and Abatement Orders issued by the San Diego and Los Angeles Regional Water Quality Control Boards.

An open issue still exists as to whether, in the wake of *Foster-Gardner*, those insurers with standard policy language have an *indemnity* obligation (i.e. to pay for actual remediation) with respect to administrative liabilities. On January 29, 1999, CENCO successfully defended a Motion for Summary Adjudication on this issue brought by Lloyd's London; however, Lloyd's has vowed to appeal the trial court's decision.

Both defense and indemnity for the OII and WDI sites continue to be denied by the insurers on the basis of the California Court of Appeals, Second Appellate District's decision in *Standun, Inc. v. Fireman's Fund, Inc. Co.*, (1998) 62 Cal. App. 4th 882, holding that the "sudden and accidental" pollution exclusion bars coverage (both defense and indemnity) for landfill-based liabilities because the *initial disposal* into the landfill, being intentional, could be neither sudden nor accidental. The *Standun* decision dealt specifically with OII.

Finally, upon assuming ownership of the Powerine insurance assets, a strategic business decision was made by CENCO to significantly revise Powerine management's plan to sell-back insurance assets to the respective carriers in exchange for cash. In light of changes in California insurance law, and in light of divergent long-term goals as between CENCO and Powerine, CENCO's chief focus is upon utilizing the historic insurance assets to address and extinguish as many covered environmental and toxic liabilities as possible.

CENCO does remain open to opportunities to release insurers from certain obligations in exchange for cash. However, the obligations released must arguably be duplicative of obligations belonging to other insurers that, at CENCO's option, may never be released. Presently, CENCO is considering opportunities to release insurers from certain obligations. The likelihood and timing of recovery at this time is unknown.

- (5) *Identify the nature of any ongoing relationship between CENCO and Powerine following the asset purchase, including, but not limited to consulting agreements or contracts, employment agreements, covenants not to compete, refining agreements, raw material supply agreements and agreements for the purchase of refinery products.*

The response to this question is the same as to Question 3 of CENCO's January 15, 1999 response.

- (6) *Provide copies of any loan agreements, business plans and loan applications to which CENCO is a party, or which provide capital to CENCO. Include prospectuses, mandatory capital contribution agreements, stock purchase contracts, and arrangements which may provide future infusions of capital.*

CENCO has obtained a \$15 million loan. Attachment 2 is a copy of the loan agreement. With respect to future infusions of cash through the sale of high yield securities, CENCO has been in contact with an underwriter to arrange for financing to resume refinery operations. CENCO is prohibited from disclosing the draft prospectus to EPA or any party by Securities and Exchange Commission ("SEC") regulations. SEC regulations prohibit disclosure of any proposed offer or offer, proposed sale or sale until it has been approved by the SEC. To satisfy EPA's request for information with respect to CENCO's business plans, CENCO provided the response to Question 4 in its January 15, 1999 response.

- (7) *Provide the following documents relating to CENCO's organization and corporate structure:*
- *Articles, bylaws, certificates of incorporation for both CENCO and CENCO Refining*
 - *Organizational charts depicting the relationship between the CENCO entities*
 - *List of shareholders with percentage of ownership for both CENCO and CENCO Refining*
-
- Attachments 3, 4, and 5, and 6, 7 and 8 are the articles, bylaws and certifications of incorporation for CENCO Inc. and CENCO Refining Company, respectively.
 - CENCO Refining Company is a wholly owned subsidiary of CENCO Inc.

- Following is a list of shareholders and number of shares owned for CENCO Inc. and CENCO Refining.

CENCO Inc. owns 10 million Classes A shares of CENCO Refining Company.

Of the authorized shares for CENCO Refining Company, 10 million have been authorized.

The Robertson Charitable Remainder Trust owns 5 million Class A shares of CENCO Inc.

The Robertson Charitable Remainder Trust owns 7 million Class B shares of CENCO Inc.

An officer of CENCO Refining Company owns 1 million Class B shares of CENCO Inc.

- Class A shares have 20 votes each.
- Class B shares have 1 vote each.

- (8) *Provide copies of minutes of CENCO board of directors' meetings in which the acquisition, management, and/or business plan of assets purchased from Powerine was discussed.*

The response to this question is the same as to Question 7 of CENCO's January 15, 1999 response.

- (9) *Provide documents reflecting CENCO's current and projected financial condition, including income statements and balance sheets for the most recent reporting year or fraction of a year, and any financial planning documents such as income/profitability projections and pro forma income statements.*

The response to this question is the same as to Question 8 of CENCO's January 15, 1999 response. Attachment 9 is the December 31, 1998 Financial Statement which was prepared internally and is unaudited.

- (10) ***Identify all existing security interests which encumber or cloud title to the assets CENCO acquired from Powerine.***

Attachments 10, 11 and 12 are more recent lists than the list in the Asset Purchase Agreement, of judgments and liens against Powerine which encumber the Refinery real estate.

The assets were encumbered by a \$3 million judgment against Powerine and the Refinery assets. The judgment was assigned to CENCO. The entity that held the judgment against the Refinery assets is the same party, Kenyen Projects Ltd. ("Kenyen"), that in 1995 intended to purchase the refinery equipment, dismantle and ship it to India. Kenyen's judgment was against specific crucial operating units in the Refinery. Kenyen had offered these units for sale and was preparing to gain access to the Refinery for the purpose of removing these units. In order to prevent Kenyen from removing crucial operating units from its Refinery, CENCO paid off and released the judgment.

- (11) ***Provide detail of how CENCO proposes to settle the Operating Industries, Inc. (OII) and Waste Disposal, Inc. (WDI) liabilities which it has apparently assumed from Powerine. How does CENCO expect to fund these anticipated liabilities?***

CENCO plans to settle any OII and WDI liabilities out of proceeds from its bond financing, assuming that CENCO and EPA have agreed upon a settlement amount.

- (12) ***Provide estimates of the cost of clean-up and other environmental issues for the CENCO refinery properties, and how CENCO expects to fund those amounts.***

The response to the first part of this question is the same as to Question 9 of CENCO's January 15, 1999 response. CENCO expects to fund the refinery cleanup out of future earnings. In addition, CENCO faces environmental regulatory compliance costs for its ongoing operation of at least \$53 million including requirements imposed by the City of Santa Fe Springs for the CUP Modifications, refinery retrofits to produce CARB gasoline, the purchase of RECLAIM trading credit ("RTCs") for refinery NOx and SOx emissions and other miscellaneous regulatory requirements.

- (13) ***Please provide copies of any tax advice, recommendations, or opinions relating to the tax treatment of the Powerine asset purchase. Explain how CENCO plans to characterize to the IRS in its next tax filing its acquisition of the Powerine assets.***

Attachment 13 is a copy of tax advice relating to the tax treatment of the Powerine asset purchase. The response to the second part of this question is the same as to Question 10 of CENCO's January 15, 1999 response.

- (14) ***Provide any additional information regarding CENCO's future assets, liabilities, operating plans, and financial plans that may be relevant to EPA's consideration of CENCO's ability to pay the WDI and OII Superfund liabilities, or which you wish EPA to consider in evaluation CENCO's ability to pay claim.***

EPA must understand that defining CENCO's liability at the OII and WDI Superfund sites is crucial to the success of CENCO's financing efforts. If CENCO is unable to obtain financing to resume refinery operations, it could find itself in a situation similar to Powerine's situation in 1997. CENCO will be forced to develop a plan for liquidating the refinery assets (equipment and land) in order to meet its obligations.

Additionally, CENCO requests that EPA reevaluate the impact on EPA's claims of Powerine's discharge of its liabilities in bankruptcy. Although CENCO agrees that such discharge may not be relevant to the \$1.5 million settlement payment, the same is not true of any other alleged liability particularly at the OII Site. As Powerine set forth in prior correspondence to EPA, there is a strong legal basis which supports the fact that all claims for response costs relating to the OII Site were discharged in bankruptcy. This conclusion is supported by the decision in *In re Jensen*, 995 F.2d 925 (9th Cir 1993). This is not to say that CENCO is unwilling to settle with EPA. EPA cannot, however, ignore Powerine's discharge in bankruptcy in evaluating the settlement value of its claim.

As requested in the Information Request, future correspondence on this matter should be directed to:

John F. Cermak, Jr.
Rodi, Pollock, Pettker, Galbraith & Cahill
801 South Grand Avenue, Suite 400
Los Angeles, California 90017
Telephone: (213) 895-4900
Facsimile: (213) 895-4922

Kate Taylor, Financial Analyst
February 19, 1999
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Please call me if you have any questions regarding the above information.

Sincerely,


John F. Cermak, Jr.

JFC:sm
Enclosures

cc: Ms. June M. Christman (w/enclosures)
Dave Isola, Esq. (w/o enclosures)

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FAX (202) 637-2201

August 5, 1998

BY TELECOPY AND FEDERAL EXPRESS

First American Title Insurance Company
114 E. Fifth Street,
Santa Ana, California 92701

Attention: Tom Zowarka

Re: Cenco/Powerine

Dear Mr. Zowarka:

This firm represents Cenco Refining Co., a Delaware corporation ("Cenco"), the prospective purchaser of certain real property and improvements located in the City of Santa Fe Springs, County of Los Angeles, State of California (the "Refinery Property" and the "Bloomfield Property") from Powerine Oil Company, a California corporation ("Powerine"), pursuant to an Asset Purchase Agreement dated as of July 24, 1998 (the "Agreement").

The Refinery Property is described in Schedule A of that certain "marked-up" Preliminary Title Report, effective as of July 29, 1998, as Order No. 9722227-40, issued by First American Title Insurance Company of Los Angeles ("FATCOLA") (the "Refinery PTR") and attached hereto as Exhibit A.

The Bloomfield Property is described in Schedule A of that certain "marked-up" Preliminary Title Report, effective as of July 29, 1998, as Order No. 97-22228-40, issued by FATCOLA (the "Bloomfield PTR") and attached hereto as Exhibit B.

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First American Title Insurance Company
August 5, 1998
Page 2

A. Delivery of Documents.

In connection with the closing of this transaction, First American Title Insurance Company ("FATCO") has or will have received under separate cover, at its offices in Santa Ana, California, the following documents:

1. A copy of the Agreement;
2. Owner's Affidavit executed by Powerine;
3. A copy of Powerine's Certificate of Good Standing from the California Secretary of State's Office; and
4. A copy of the Resolution of Powerine, authorizing the transaction and the parties authorized to sign on behalf of Powerine.

FATCOLA has or will have received under separate cover at its offices in Glendale, California sent to the attention of Mr. Robert Acio, the following documents:

5. An Affidavit of Non-Production and Non-Easement Use executed by Powerine;
6. UCC-2 Termination Statement executed by Energy Merchant Corp. (to eliminate Exception 69 of the Refinery PTR and Exception 27 of the Bloomfield PTR);
7. UCC-2 Termination Statement executed by Energy Merchant Corp. (to eliminate Exception 68 of the Refinery PTR and Exception 26 of the Bloomfield PTR);
8. Certified Copy of Request for Dismissal (to eliminate Exception 28 of the Bloomfield PTR);
9. UCC-2 Termination Statement executed by Powerine (to eliminate Exception 63 of the Refinery PTR); and
10. Grant Deed executed by Powerine in favor of Cenco, along with a separate Documentary Transfer Tax Affidavit.

The documents described in items 5 and 10 above are sometimes collectively referred to herein as the "Recordable Documents."

CONFIDENTIAL

First American Title Insurance Company

August 5, 1998

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B. Receipt of Funds and Recording of the Documents.

FATCO will receive by wire transfer immediately available funds in the amount of approximately \$14,780,723.36 from Cenco (the "Funds") representing the payment of the title insurance costs, documentary transfer and recording fees and the balance of the purchase price pursuant to the Agreement.

FATCO is authorized and directed to record the Recordable Documents in the Official Records of Los Angeles County Recorder's Office, in the order listed above and to disburse the Funds, pursuant to Paragraph C below, when and only when:

- (1) it has received all of the documents described in Section A above;
- (2) it has received the Funds from Cenco described in Section B above;
- (3) it has received oral or written instructions from (i) the undersigned, or David V. Lee, Esq., or Carl A. Lux, Esq. of Cenco's authorization to record the Recordable Documents and to disburse the Funds; and (ii) it has received oral or written instructions from Mr. Michael H. Egner of Powerine's authorization to record the Recordable Documents and it has received written instruments from Powerine as to the disbursement of the Funds due to Powerine under the Agreement;
- (4) it will unconditionally cause to be issued to Cenco an ALTA Extended Owner's Binder (1992), with a survey exception, in the amount of \$15,000,000 (the "Owner's Binder"), showing good and indefeasible fee simple title to the Refinery Property described in Schedule A in the Refinery PTR (without the necessity for a gap indemnity), vested in Cenco as the insured party thereunder, and insuring good and indefeasible fee simple title to the Refinery Property described in the Refinery PTR subject only to the exceptions listed in the Refinery PTR attached hereto as Exhibit A and Exhibit B (excluding those exceptions crossed out therein, and with such changes shown thereon), and including the following endorsements: 103.7 (access); 116.7 (subdivision); (116.4 contiguity); 116 (address); and 110.1 to delete the creditor's rights exclusion;
- (5) it will, at the request of Cenco, and receipt of the appropriate release and/or reconveyance documents, endorse out any liens, encumbrances or exceptions to either the Refinery Owner's Binder or the Bloomfield Owner's Binder, at no additional charge to Cenco;
- (6) it will, at the request of Cenco, and receipt of a map showing the plotted easements, endorse out any exceptions to either the Refinery Owner's Binder or the

CONFIDENTIAL

First American Title Insurance Company

August 5, 1998

Page 4

Bloomfield Owner's Binder, that do not affect the property, or are shown to now be within publicly dedicated streets, at no additional charge to Cenco; and

(7) it will, at the request of Cenco, and receipt of Perimeter Survey, endorse out the general survey exception and replace it with the following "Any internal encroachments over easements or improvements on the land described in this Policy", and upon receipt and approval of the legal description on the Perimeter Survey, FATCO will issue a 116.1 endorsement.

After the Recordable Documents have been recorded, you are to immediately notify the undersigned and Mr. Michael Egner, at Powerine, whose phone number is 562-944-6111.

C. Disbursement of Funds.

Subject to Paragraph B above, you shall disburse the Funds in accordance with the Settlement Statement. The funds due to funds due to Powerine are to be wired as follows:

Account Name: Powerine Oil Company, Main Disbursements
Bank: PNC Bank, Berwyn, PA
ABA: 031000053
Account Number: 86-1030-4745

CONFIDENTIAL

First American Title Insurance Company
August 5, 1998
Page 5

D. Delivery of Documents.

Within 30 days after recordation, the original and two copies of the Owner's Binders, together with conformed copies of the Recordable Documents are to be delivered to the undersigned.

E. Additional Instructions.

All costs incurred by you in connection with this transaction, including recording and title charges, are to be paid by Cenco, pursuant to the Settlement Statement approved by Cenco and Powerine. You are hereby authorized and instructed to withhold from the amounts deposited with you for Powerinc's account, an amount sufficient to insure the payment of such costs.

If you are not able to comply with these instructions on or before the close of business on August 7, 1998, then, upon the written demand of either Cenco and Powerine you shall return all items deposited with you in this transaction to the party depositing them. In the absence of such written demand, you are directed to continue to comply with these instructions without reference to the date referred to above.

Cenco and Powerine are relying upon your full compliance with these instructions. If you are unable to comply with these instructions, please notify the undersigned immediately. In the event written acceptance is not received prior to authorization to record, the act of recording the Recordable Documents shall be considered evidence of your agreement to act in accordance with these Instructions.

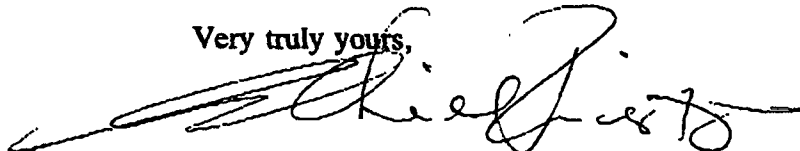
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LATHAM & WATKINS

First American Title Insurance Company
August 5, 1998
Page 6

Please evidence your agreement to comply with these instructions by executing and delivering a copy of this letter, by telecopy, followed by an original, to the undersigned.

Very truly yours,



Ane Cahill Priester,
Senior Legal Assistant

cc: Professor Marshall Staunton (w/o encls., via telecopier)
David V. Lee, Esq. (w/o encls.)
Carl Lux, Esq. (w/o encls.)
Vincent Papa, Esq. (w/o encls., via telecopier)
Robert S. Barry, Jr., Esq. (via telecopier)
Mr. Robert Acio (w/encls. 5 through 10 of Section A, via messenger)

THE UNDERSIGNED CONCURS IN THE FOREGOING INSTRUCTIONS.

THE FOREGOING INSTRUCTIONS ARE ACCEPTED
AND AGREED TO THIS 5th DAY OF August, 1998.

FIRST AMERICAN TITLE INSURANCE COMPANY

By: 
Tom Zowarka, Vice President

CONFIDENTIAL

Commercial Note

(Virginia)

CRESTAR

CENCO Refining Company

January 4, 1999

Borrower

Date

Fifteen Million & _____

00/00

Dollars

Loan Amount

(\$ 15,000,000.00) SNF 03-3225

Officer

Account No.

Note No.

☒ Original ☐ Renewal

For Value Received, the undersigned (whether one or more) jointly and severally promise to pay to the order of Crestar Bank (the "Bank") at any of its offices, or at such place as the Bank may in writing designate, without offset and in immediately available funds, the Loan Amount shown above, including or plus interest, and any other amounts due, upon the terms specified below.

IMPORTANT NOTICE

THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A DEBTOR AND ALLOWS THE CREDITOR TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

Repayment Terms

☐ **Demand** Principal on demand, plus interest as described below.

☐ **Time — Discounted** One payment due on _____, _____. The undersigned agree to the deduction of interest from proceeds or to the payment of interest in advance.

Net Proceeds: \$ _____ Interest Amount: \$ _____

☒ **Time — Not Discounted** One payment due on March 1, 1999, plus interest and any other amounts due.

☐ **Term — Fixed Payment** In _____ consecutive _____ installments of principal and interest of \$ _____ each, payable on the _____ day of each _____, beginning _____, and a final payment equal to the unpaid balance of principal plus interest and any other amounts owed due on _____.

☐ **Term — Variable Payment** In _____ consecutive _____ installments of principal of \$ _____ each, plus interest, payable on the _____ day of each _____, beginning _____, and a final payment of \$ _____ plus interest and any other amounts owed due on _____.

☐ **Master Borrowing Note** This is: ☐ a closed end transaction; you may borrow up to the Loan Amount but may not reborrow amounts that have been repaid.
☐ an open end revolving line of credit; you may borrow an aggregate principal amount up to the Loan Amount outstanding at any one time.

Principal on demand, plus interest as described below, but the undersigned shall be liable for only so much of the Loan Amount shown above as shall be equal to the total advanced to or for the undersigned, or any of them, by the Bank from time to time, less all payments made by or for the undersigned and applied by the Bank to principal, plus interest on each such advance, and any other amounts due all as shown on the Bank's books and records, which shall be prima facie evidence of the amount owed.

This Master Borrowing arrangement will terminate upon written notice from the Bank to the undersigned, or if such notice is not sooner given, _____ from the date of this Note, unless an alternative termination date is indicated in the Agreement, as defined below.

☐ **Additional Terms And Conditions**

This Note is governed by additional terms and conditions contained in a _____ between the undersigned and the Bank dated _____ and any modifications, renewals, extensions or replacements thereof (the "Agreement"), which is incorporated herein by reference. In the event of a conflict between any term or condition contained in this Note and in the Agreement, such term or condition of the Agreement shall control.

If this Note is payable on demand, the Bank shall have the right to demand payment at any time even if an event of default (as defined herein) has not occurred.

Interest

☐ Accrued interest will be payable on the _____ day of each _____, beginning on _____.

Interest on a Fixed Payment Term Loan will accrue on a 30/360 basis. On all other loan types, interest will accrue daily on an actual/360 basis (that is, on the actual number of days elapsed over a year of 360 days) unless otherwise stated here:

Each scheduled payment made on this Note shall be applied to accrued interest before it is applied to principal. Interest shall accrue from the date of this Note on the unpaid balance and shall continue to accrue after maturity, whether by acceleration or otherwise, until this Note is paid in full. If this is a variable rate transaction, the interest rate is prospectively subject to increase or decrease without prior notice, and if this is a Variable Payment Term Loan, adjustments in the payment schedule will be made as necessary.

Subject to the above, interest per annum payable on this Note (the "Rate") shall be:

☒ _____ % fixed for the term of the loan.

☐ a variable rate based on the following index:

☐ Prime Rate as established from time to time by Crestar Bank.

☐ Prime Rate as published (lowest published if two) from time to time by _____.

☐ _____.

represent the lowest rate of interest charged for commercial borrowings. If the Index is a Crestar Prime Rate, the Index rate is subject to increase or decrease at the sole option of the Bank.

The Rate shall be: ☐ the Index.

☐ the Index plus _____ %.

☐ _____ % of the Index plus _____ %.

☐ _____

Adjustments to the Rate shall be effective:

☐ as of the date the Index changes.

☐ _____

☐ **Rate Call Option:** Notwithstanding any provision in this Note, the Bank reserves the right to adjust the Rate on each annual anniversary date of this Note and the undersigned agree to pay interest at such adjusted interest rate.

Collateral

Unless otherwise agreed in writing, any collateral pledged to the Bank to secure any of the undersigned's existing or future liabilities to the Bank shall also secure this Note. To the extent permitted by law, each of the undersigned grants to the Bank a security interest in and a lien upon all deposits or investments maintained by the undersigned with, and all indebtedness owed to the undersigned by, the Bank.

This Note is also secured by the following collateral and proceeds thereof:

Assignment of Crestar Savings Certificate # _____

dated January 4, 1999 and

any renewals thereof issued by Crestar Bank, 500 Main Street, Norfolk, VA 23510 to CENCO

Refining Company in the amount of Fifteen Million Dollars (\$15,000,000.00).

All of the foregoing security is referred to collectively as the "Collateral". The Collateral is security for the payment of this Note and any other liability (including overdrafts and future advances) of the undersigned to the Bank, however evidenced, now existing or hereafter incurred, matured or unmatured, direct or indirect, absolute or contingent, several, joint, or joint and several, including any extensions, modifications or renewals. The proceeds of any Collateral may be applied against the liabilities of the undersigned to the Bank in such order as the Bank deems proper.

Loan Purpose And Updated Financial Information Required

The undersigned warrant and represent that the loan evidenced by this Note is being made solely for the purpose of acquiring or carrying on a business, professional or commercial activity or acquiring real or personal property as an investment (other than a personal investment) or for carrying on an investment activity (other than a personal investment activity). The undersigned agree to provide to the Bank updated financial information, including, but not limited to, tax returns, current financial statements in form satisfactory to the Bank, as well as additional information, reports or schedules (financial or otherwise), all as the Bank may from time to time request.

Default, Acceleration And Setoff

Any one of the following shall constitute an event of default under the terms of this Note: (1) the failure to make when due any installment or other payment, whether of principal, interest, late charges or other authorized charges due under this Note, or the failure to pay the amount demanded by the Bank if this Note is payable on demand; (2) the death, dissolution, merger, acquisition, consolidation or termination of existence of the undersigned, any guarantor of the indebtedness of any of the undersigned to the Bank, any endorser, or any other party to this Note (collectively called a "Party"); (3) the insolvency or inability to pay debts as they mature of any Party, or the application for the appointment of a receiver for any Party or the filing of a petition under any provision of the Bankruptcy Code or other insolvency law, statute or proceeding by or against any Party or any assignment for the benefit of creditors by or against any Party; (4) the entry of a judgment against any Party or the issuance or service of any attachment, levy or garnishment against any Party or the property of any Party, or the repossession or seizure of property of any Party; (5) a determination by the Bank that it deems itself insecure or that a material adverse change in the financial condition of any Party or decline or depreciation in the value or market value of any Collateral has occurred since the date of this Note or is reasonably anticipated; (6) the failure of any Party to perform any other obligation to the Bank under this Note or under any other agreement with the Bank; (7) the occurrence of an event of default with respect to any existing or future indebtedness of any Party to the Bank or any other creditor of the Party; (8) a material change in the ownership, control or management of any Party that is an entity, unless such change is approved by the Bank in its sole discretion; (9) if any Party gives notice to the Bank purporting to terminate such Party's obligations under or with respect to this Note; (10) the sale or transfer by a Party of all or substantially all of such Party's assets other than in the ordinary course of business; or (11) any Party commits fraud or makes a material misrepresentation at any time in connection with this Note. If an event of default occurs, or in the event of non-payment of this Note in full at maturity, the entire unpaid balance of this Note shall, at the option of the Bank, become immediately due and payable, without notice or demand. Upon the occurrence of an event of default, the Bank shall be entitled to interest on the unpaid balance at the stated Rate plus 2.00% (the "Default Rate"), unless otherwise required by law, until paid in full. To the extent permitted by law, upon default, the Bank will have the right, in addition to all other remedies permitted by law, to set off the amount due under this Note or due under any other obligation to the Bank against any and all accounts, whether checking or savings or otherwise, credits, money, stocks, bonds or other security or property of any nature whatsoever on deposit with, held by, owed by, or in the possession of, the Bank or any of its affiliates to the credit of or for the account of any Party, without notice to or consent by any Party. The remedies provided in this Note and any other agreement between the Bank and any Party are cumulative and not exclusive of any remedies provided by law.

Year 2000 Capability

Borrower agrees that it shall take all action necessary to ensure that it is "Year 2000 Capable" (all material date-affected technology used in its business operations is able to correctly and effectively process date data from, into and between the twentieth and twenty-first centuries and otherwise continues to function properly and unimpaired) and, if requested by the Bank, will provide evidence of such action. Borrower agrees that any actual or potential material failure to be Year 2000 Capable may constitute a material adverse change in financial condition entitling the Bank to exercise applicable rights and remedies provided herein.

Capital Adequacy

Should the Bank, after the date hereof, determine that the adoption of any law or regulation regarding capital adequacy, or any change in the interpretation or administration thereof, has or would have the effect of reducing the Bank's rate of return hereunder to a level below that which the Bank could have achieved but for such adoption or change, by an amount which the Bank considers to be material, then, from time to time, 30 days after written demand by the Bank, the undersigned shall pay to the Bank such additional amounts as will compensate the Bank for such reduction. Each demand by the Bank shall be made in good faith and shall be accompanied by a certificate claiming compensation under this paragraph and stating the amounts to be paid to it hereunder and the basis therefor.

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Late Charges And Other Authorized Charges

If any portion of a payment is at least seven 10 days past due, the undersigned agree to pay a late charge of 5% of the amount which is past due. Unless prohibited by applicable law, the undersigned agree to pay the fee established by the Bank from time to time for returned checks if a payment is made on this Note with a check and the check is dishonored for any reason after the second presentment. In addition, as permitted by applicable law, the undersigned agree to pay the following: (1) all expenses, including, without limitation, any and all court or collection costs, and attorneys' fees of 25% of the unpaid balance of this Note, or actual attorneys' fees if in excess of such amount, whether suit be brought or not, incurred in collecting this Note; (2) all costs incurred in evaluating, preserving or disposing of any Collateral granted as security for the payment of this Note, including the cost of any audits, appraisals, appraisal updates, reappraisals or environmental inspections which the Bank from time to time in its sole discretion may deem necessary; (3) any premiums for property insurance purchased on behalf of the undersigned or on behalf of the owner(s) of the Collateral pursuant to any security instrument relating to the Collateral; (4) any expenses or costs incurred in defending any claim arising out of the execution of this Note or the obligation which it evidences, or otherwise involving the employment by the Bank of attorneys with respect to this Note and the obligations it evidences; and (5) any other charges permitted by applicable law. The undersigned agree to pay such authorized charges on demand or, at the Bank's option, such charges may be added to the unpaid balance of the Note and shall accrue interest at the stated Rate. Upon the occurrence of an event of default, interest shall accrue at the Default Rate.

Waivers

The undersigned and each other Party waive presentment, demand, protest, notice of protest and notice of dishonor and waive all exemptions, whether homestead or otherwise, as to the obligations evidenced by this Note. The undersigned and each other Party waive any rights to require the Bank to proceed against any other Party or person or any Collateral before proceeding against the undersigned or any of them, or any other Party, and agree that without notice to any Party and without affecting any Party's liability, the Bank, at any time or times, may grant extensions of the time for payment or other indulgences to any Party or permit the renewal or modification of this Note, or permit the substitution, exchange or release of any Collateral for this Note and may add or release any Party primarily or secondarily liable. The undersigned and each other Party agree that the Bank may apply all monies made available to it from any part of the proceeds of the disposition of any Collateral or by exercise of the right of setoff either to the obligations under this Note or to any other obligations of any Party to the Bank, as the Bank may elect from time to time. The undersigned also waive any rights afforded to them by Sections 40-25 and 40-26 of the Code of Virginia of 1960 as amended.

TO THE EXTENT LEGALLY PERMISSIBLE, THE UNDERSIGNED WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION RELATING TO TRANSACTIONS UNDER THIS NOTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

Judgment By Confession

The undersigned hereby duly constitute and appoint Cynthia Cheatham or Harry G. Farnsworth or Sigur E. Whitaker as the true and lawful attorney-in-fact for them in any or all of their names, place and stead, and upon the occurrence of an event of default, to confess judgment against them, or any of them, in the Circuit Court for the City or County of Norfolk or Virginia Beach, Virginia, upon this Note and all amounts owed hereunder, including all costs of collection, attorneys' fees equal to 25% of the unpaid principal balance hereof and court costs, hereby ratifying and confirming the acts of said attorney-in-fact as if done by themselves, expressly waiving benefit of any homestead or other exemption laws.

Severability, Amendments And No Waiver By Bank

Any provision of this Note which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Note. No amendment, modification, termination or waiver of any provision of this Note, nor consent to any departure by the undersigned from any term of this Note, shall in any event be effective unless it is in writing and signed by an authorized employee of the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. If the interest Rate is tied to an external index and the index becomes unavailable during the term of this loan, the Bank may designate a substitute index with notice to the Borrower. No failure or delay on the part of the Bank to exercise any right, power or remedy under this Note shall be construed as a waiver of the right to exercise the same or any other right at any time.

Liability, Successors And Assigns And Choice Of Law

Each of the undersigned shall be jointly and severally obligated and liable on this Note. This Note shall apply to and bind each of the undersigned's heirs, personal representatives, successors and assigns and shall inure to the benefit of the Bank, its successors and assigns. This Note shall be governed by the internal laws of the Commonwealth of Virginia and applicable federal law. The undersigned agree that certain material events and occurrences relating to this Note bear a reasonable relationship to the laws of the Commonwealth of Virginia. The validity, terms, performance and enforcement of this Note shall be governed by applicable federal law and the internal laws of the Commonwealth of Virginia which are applicable to agreements which are negotiated, executed, delivered and performed solely in the Commonwealth of Virginia.

By signing below, the undersigned agree to the terms of this Note.

Individual Signature(s)

Non-Individual Signature(s)

Borrower Signature _____ (Seal)	<u>CENCO Refining Company</u>
Borrower Signature _____ (Seal)	By <u>[Signature]</u> (Seal)
Borrower Signature _____ (Seal)	Signature <u>CHAIRMAN</u>
Borrower Signature _____ (Seal)	Name and title, printed or typed
Borrower Signature _____ (Seal)	Borrower
Borrower Signature _____ (Seal)	By _____ (Seal)
Borrower Signature _____ (Seal)	Signature
Borrower Signature _____ (Seal)	Name and title, printed or typed

By signing below, the following Endorsers each agree to be bound by all the terms of this Note.

Endorser Name, printed or typed _____	Endorser Signature _____ (Seal)
Endorser Name, printed or typed _____	Endorser Signature _____ (Seal)
Endorser Name, printed or typed _____	Endorser Signature _____ (Seal)

CERTIFICATE OF INCORPORATION**OF****CENCO, INC.***** * * * ***

1. The name of the corporation is CENCO, INC..

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is:

To engage in the business of petroleum exploration, gathering, transmission, refining, marketing, selling and production of petroleum products.

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

To manufacture, purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of this corporation.

To acquire by purchase, subscription or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of capital stock, scrip, warrants, rights, bonds, debentures, notes, trust receipts, and other securities, obligations, choses in action and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, syndicates, associations, firms, trusts or persons, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality or other political subdivision or by any governmental agency, and as owner thereof to possess and exercise all the rights, powers and privileges of ownership, including the right to execute

consents and vote thereon, and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

To borrow or raise money for any of the purposes of the corporation and, from time to time without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To purchase, receive, take by grant, gift, devise, bequest or otherwise, lease, or otherwise acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated, and to sell, convey, lease, exchange, transfer or otherwise dispose of, or mortgage or pledge, all or any of the corporation's property and assets, or any interest therein, wherever situated.

In general, to possess and exercise all the powers and privileges granted by the General Corporation Law of Delaware or by any other law of Delaware or by this Certificate of Incorporation together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the corporation.

The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this Certificate of Incorporation, but the business and purposes specified in each of the foregoing clauses of this article shall be regarded as independent business and purposes.

4. The total number of shares of stock which the corporation shall have authority to issue is: Fifteen Million Three Hundred Fifty Thousand(15,350,000) of which stock Five Million(5,000,000) shares of the par value of No Dollars and One Cents(\$0.01) each, amounting in the aggregate to Fifty Thousand Dollars and Zero Cents(\$50,000) shall be Class A Common stock and of which Ten Million(10,000,000) shares of the par value of No Dollars and One Cents(\$0.01) each, amounting in the aggregate to One Hundred Thousand Dollars and Zero Cents(\$100,000) shall be Class B Common stock and of which One Hundred Fifty Thousand(150,000) shares of the par value of No Dollars and One Cents(\$0.01) each, amounting in the aggregate to One Thousand Five Hundred Dollars and Zero Cents(\$1,500) shall be Convertible Preferred stock and of which Two Hundred Thousand(200,000) shares of the par value of No Dollars and One Cents(\$0.01) each, amounting in the aggregate to Two Thousand Dollars and Zero Cents(\$2,000) shall be Non Convertible Preferred stock.

The designations and the powers, preferences and rights, and the qualifications, limita-

tions or restrictions thereof are as follows:

Common Class A each share shall have twenty votes. Common Class B each share shall have one vote. The convertible preferred shares are convertible into ten shares of Common Class B shares.

5. The name and mailing address of each incorporator is as follows:

<u>NAME</u>	<u>MAILING ADDRESS</u>
T.L. Ford	1209 Orange Street Wilmington, De. 19801
S.A. Clegg	1209 Orange Street Wilmington, De. 19801
C.L. Hughes	1209 Orange Street Wilmington, De. 19801

6. The corporation is to have perpetual existence.

7. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

To make, alter or repeal the by-laws of the corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation.

To set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

To designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The by-laws may provide that in the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, or in the by-laws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any by-law of the corporation.

When and as authorized by the stockholders in accordance with law, to sell, lease or exchange all or substantially all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property including shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of the corporation.

8. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation.

Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

9. The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

10. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit.

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T.L. Ford
T.L. Ford

S.A. Clegg
S.A. Clegg

C.L. Hughes
C.L. Hughes

BY-LAWSOFCENCO, INC.

A Delaware Corporation

ARTICLE I - OFFICES

The registered office of the Corporation in the State of Delaware shall be located in the City and State designated in the Certificate of Incorporation. The Corporation may also maintain offices at such other places within or without the State of Delaware as the Board of Directors may, from time to time, determine.

ARTICLE II - MEETING OF SHAREHOLDERSSection 1 - Annual Meetings: (Section 211)

The annual meeting of the shareholders of the Corporation shall be held at the time fixed, from time to time, by the Directors, at the time fixed from time to time by the Directors.

Section 2 - Special Meetings: (Section 211)

Special meetings of the shareholders may be called by the Board of Directors or such person or persons authorized by the Board of Directors and shall be held within or without the State of Delaware.

Section 3 - Court-ordered meeting: (Section 211)

The Court of Chancery in this State where the Corporation's principal office is located, or where the Corporation's registered office is located if its principal office is not located in this state, may after notice to the Corporation, order a meeting to be held on application of any Director or shareholder of the Corporation entitled to vote in an annual meeting if an annual meeting has not been held within any thirteen month period, if there is a failure by the Corporation to hold an annual meeting for a period of thirty days after the date designated therefor, or if no date has been designated, for a period of thirteen months after the organization of the Corporation or after its last annual meeting. The court may fix the time and place of the meeting, determine the shares entitled to participate in the meeting, specify a record date for determining shareholders entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, and enter other orders as may be appropriate.

* All references to Sections in these By Laws refer to those sections contained in the Delaware General Corporation Law.

Section 4 - Place of Meetings: (Section 211)

Meetings of shareholders shall be held at the registered office of the Corporation, or at such other places, within or without the State of Delaware as the Directors may from time to time fix. If no designation is made, the meeting shall be held at the Corporation's registered office in the state of Delaware.

Section 5 - Notice of Meetings: (Section 222)

(a) Written or printed notice of each meeting of shareholders, whether annual or special, stating the time when and place where it is to be held, shall be served either personally or by first class mail, by or at the direction of the president, the secretary, or the officer or the person calling the meeting, not less than ten or more than sixty days before the date of the meeting, unless the lapse of the prescribed time shall have been waived before or after the taking of such action, upon each shareholder of record entitled to vote at such meeting, and to any other shareholder to whom the giving of notice may be required by law. Notice of a special meeting shall also state the business to be transacted or the purpose or purposes for which the meeting is called, and shall indicate that it is being issued by, or at the direction of, the person or persons calling the meeting. If, at any meeting, action is proposed to be taken that would, if taken, entitle shareholders to dissent and receive payment for their shares pursuant to the Delaware General Corporation Law, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder as it appears on the share transfer records of the Corporation.

Section 6 - Shareholders' List: (Section 219)

(a) After fixing a record date for a meeting, the officer who has charge of the stock ledger of the Corporation, shall prepare an alphabetical list of the names of all its shareholders entitled to notice of the meeting, arranged by voting group with the address of, and the number, class, and series, if any, of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder for a period of ten days before the meeting or such shorter time as exists between the record date and the meeting and continuing through the meeting at the Corporation's principal office, at a place identified in the meeting notice in the city where the meeting will be held, or at the office of the Corporation's transfer agent or registrar. Any shareholder of the Corporation or the shareholder's agent or attorney is entitled on written demand to inspect the shareholders' list during regular business hours and at the shareholder's expense, during the period it is available for inspection.

(b) The Corporation shall make the shareholder's list available at the meeting of shareholders, and any shareholder or the shareholder's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

(c) Upon the willful neglect or refusal of the Directors to produce such a list at any meeting for the election of Directors, such Directors shall be ineligible for election for any office at such

meeting.

(d) The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by Section 219 of the Delaware General Corporation Law or the books of the Corporation, or to vote in person or by proxy at any shareholders' meeting.

Section 7 - Quorum: (Section 216)

(a) Except as otherwise provided herein, or by law, or in the Certificate of Incorporation (such Articles and any amendments thereof being hereinafter collectively referred to as the "Certificate of Incorporation"), or for meetings ordered by the Court of Chancery called pursuant to Section 211 of the Delaware General Corporations Law, a quorum shall be present at all meetings of shareholders of the Corporation, if the holders of a majority of the shares entitled to vote on that matter are represented at the meeting in person or by proxy.

(b) The subsequent withdrawal of any shareholder from the meeting, after the commencement of a meeting, or the refusal of any shareholder represented in person or by proxy to vote, shall have no effect on the existence of a quorum, after a quorum has been established at such meeting.

(c) Despite the absence of a quorum at any meeting of shareholders, the shareholders present may adjourn the meeting.

Section 8 - Voting: (Section 212 & 216)

(a) Except as otherwise provided by law, the Certificate of Incorporation, or these Bylaws, any corporate action, other than the election of Directors, the affirmative vote of the majority of shares entitled to vote on that matter and represented either in person or by proxy at a meeting of shareholders at which a quorum is present shall be the act of the shareholders of the Corporation.

(b) Unless otherwise provided for in the Articles of Incorporation of this Corporation, directors will be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present and each shareholder entitled to vote has the right to vote the number of shares owned by him for as many persons as there are Directors to be elected.

(c) Unless otherwise provided for in the Certificate of Incorporation of this Corporation, Directors will be elected by a plurality of the votes by the shares, present in person or by proxy, entitled to vote in the election at a meeting at which a quorum is present and each shareholder entitled to vote has the right to vote the number of shares owned by him/her for as many persons as there are Directors to be elected.

(d) Except as otherwise provided by statute, the Certificate of Incorporation, or these bylaws, at each meeting of shareholders, each shareholder of the Corporation entitled to vote thereat, shall be entitled to one vote for each share registered in his name on the books of the Corporation.

Section 9 - Proxies: (Section 212)

Each shareholder entitled to vote or to express consent or dissent without a meeting, may do so either in person or by proxy, so long as such proxy is executed in writing by the shareholder himself, or by his attorney-in-fact thereunto duly authorized in writing. Every proxy shall be revocable at will unless the proxy conspicuously states that it is irrevocable and the proxy is coupled with an interest. A telegram, telex, cablegram, or similar transmission by the shareholder, or a photographic, photostatic, facsimile, shall be treated as a valid proxy, and treated as a substitution of the original proxy, so long as such transmission is a complete reproduction executed by the shareholder. No proxy shall be valid after the expiration of three years from the date of its execution, unless otherwise provided in the proxy. Such instrument shall be exhibited to the Secretary at the meeting and shall be filed with the records of the Corporation.

Section 10 - Action Without a Meeting: (Section 228)

Unless otherwise provided for in the Certificate of Incorporation of the Corporation, any action to be taken at any annual or special shareholders' meeting, may be taken without a meeting, without prior notice and without a vote if a written consent or consents is/are signed by the shareholders of the Corporation having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted is delivered by hand or by certified or registered mail, return receipt requested, to the Corporation to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of shareholders' meetings are recorded.

Section 11 - Inspectors: (Section 231)

(a) The Corporation shall appoint one or more inspectors, and one or more alternate inspectors, to act at any shareholder' meeting and make a written report thereof, so long as such inspectors sign an oath to faithfully execute their duties with impartiality and to the best of their ability before such meeting. If no inspector or alternate is able to act at the shareholders meeting, the presiding officer shall appoint one or more inspectors to act at the meeting.

*(b) The inspector shall:

- (i) ascertain the number of shares entitled to vote and the voting power of each such shareholder;
- (ii) determine the shares represented at a meeting and the validity of proxies and ballots;
- (iii) count all votes and ballots;
- (iv) determine and retain for a reasonable time a disposition record of any challenges made to any of the inspectors' determinations; and
- (v) certify the inspectors' determinations of the number of shares represented at the meeting and their count of all votes and ballots.

ARTICLE III - BOARD OF DIRECTORS

Section 1 - Number, Term, Election and Qualifications: (Section 141)

(a) The first Board of Directors and all subsequent Boards of the Corporation shall consist of _____, unless and until otherwise determined by vote of a majority of the entire Board of Directors. The Board of Directors or shareholders all have the power, in the interim between annual and special meetings of the shareholders, to increase or decrease the number of Directors of the Corporation. A Director need not be a shareholder of the Corporation unless the Certificate of Incorporation of the Corporation or these Bylaws require.

(b) Except as may otherwise be provided herein or in the Certificate of Incorporation, the members of the Board of Directors of the Corporation shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter, unless their terms are staggered in the Certificate of Incorporation of the Corporation or these Bylaws, by a majority of the votes cast at a meeting of shareholders, by the holders of shares entitled to vote in the election.

(c) The first Board of Directors shall hold office until the first annual meeting of shareholders and until their successors have been duly elected and qualified or until there is a decrease in the number of Directors. Thereinafter, Directors will be elected at the annual meeting of shareholders and shall hold office until the annual meeting of the shareholders next succeeding his election, or until his prior death, resignation or removal. Any Director may resign at any time upon written notice of such resignation to the Corporation.

*NOTE: Article II Section 1 Subsection (b) of these Bylaws shall not be used in the Corporation's Bylaws unless the Corporation has one or more classes of voting stock that are:

(i) listed on a national exchange; (ii) authorized for quotation on an interdealer quotation system of a registered national securities association; or (iii) held by more than two thousand shareholders of record of the Corporation.

Section 2 - Duties and Powers: (Section 141)

The Board of Directors shall be responsible for the control and management of the business and affairs, property and interests of the Corporation, and may exercise all powers of the Corporation, except such as those stated under Delaware state law, are in the Certificate of Incorporation or by these Bylaws, expressly conferred upon or reserved to the shareholders or any other person or persons named therein.

Section 3 - Regular Meetings; Notice:

(a) A regular meeting of the Board of Directors shall be held either within or without the State of Delaware at such time and at such place as the Board shall fix.

(b) No notice shall be required of any regular meeting of the Board of Directors and, if given, need not specify the purpose of the meeting; provided, however, that in case the Board of Directors shall fix or change the time or place of any regular meeting when such time and place was fixed before such change, notice of such action shall be given to each Director who shall not have

been present at the meeting at which such action was taken within the time limited, and in the manner set forth in these Bylaws with respect to special meetings, unless such notice shall be waived in the manner set forth in these Bylaws.

Section 4 - Special Meetings; Notice:

(a) Special meetings of the Board of Directors shall be held at such time and place as may be specified in the respective notices or waivers of notice thereof.

(b) Except as otherwise required statute, written notice of special meetings shall be mailed directly to each Director, addressed to him at his residence or usual place of business, or delivered orally, with sufficient time for the convenient assembly of Directors thereat, or shall be sent to him at such place by telegram, radio or cable, or shall be delivered to him personally or given to him orally, not later than the day before the day on which the meeting is to be held. If mailed, the notice of any special meeting shall be deemed to be delivered on the second day after it is deposited in the United States mails, so addressed, with postage prepaid. If notice is given by telegram, it shall be deemed to be delivered when the telegram is delivered to the telegraph company. A notice, or waiver of notice, except as required by these Bylaws, need not specify the business to be transacted at or the purpose or purposes of the meeting.

(c) Notice of any special meeting shall not be required to be given to any Director who shall attend such meeting without protesting prior thereto or at its commencement, the lack of notice to him, or who submits a signed waiver of notice, whether before or after the meeting. Notice of any adjourned meeting shall not be required to be given.

(d) Unless otherwise stated in the Articles of Incorporation of the Corporation, the Chairperson, President, Treasurer, Secretary or any two or more Directors of the Corporation may call any special meeting of the Board of Directors.

Section 5 - Chairperson:

The Chairperson of the Board, if any and if present, shall preside at all meetings of the Board of Directors. If there shall be no Chairperson, or he or she shall be absent, then the President shall preside, and in his absence, any other Director chosen by the Board of Directors shall preside.

Section 6 - Quorum and Adjournments: (Section 141)

(a) At all meetings of the Board of Directors, or any committee thereof, the presence of a majority of the entire Board, or such committee thereof, shall constitute a quorum for the transaction of business, except as otherwise provided by law, by the Certificate of Incorporation, or these Bylaws. (Note: If the Certificate of Incorporation authorize a quorum to consist of less than a majority, but no fewer than one-third of the prescribed number of Directors as permitted by law except that when a card of one Director is authorized under Section 141 of the Delaware General Corporation Law, then one Director shall constitute a quorum or if the Certificate of Incorporation and/or Bylaws require a greater number than a majority as constituting a quorum then these Bylaws would state that this lesser or greater amount, instead of a majority, will constitute a quorum)

(b) A majority of the Directors present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time without notice, whether or not a quorum exists. Notice of such adjourned meeting shall be given to Directors not present at time of the adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to the other Directors who were present at the adjourned meeting.

Section 7 - Manner of Acting: (Section 141)

(a) At all meetings of the Board of Directors, each director present shall have one vote, irrespective of the number of shares of stock, if any, which he may hold.

(b) Except as otherwise provided by law, by the Certificate of Incorporation, or these By Laws, action approved by a majority of the votes of the Directors present at any meeting of the Board or any committee thereof, at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

(c) Any action authorized in writing made prior or subsequent to such action, by all of the Directors entitled to vote thereon and filed with the minutes of the Corporation shall be the act of the Board of Directors, or any committee thereof, and have the same force and effect as if the same had been passed by unanimous vote at a duly called meeting of the Board or committee for all purposes and may be stated as such in any certificate or document filed with the Secretary of the State of Delaware.

(d) Where appropriate communications facilities are reasonably available, any or all Directors shall have the right to participate in any Board of Directors meeting, or a committee of the Board of Directors meeting, by means of conference telephone or any means of communications by which all persons participating in the meeting are able to hear each other.

Section 8 - Vacancies: (Section 223)

(a) Any vacancy in the Board of Directors occurring by reason of an increase in the number of Directors, or by reason of the death, resignation, disqualification, removal or inability to act of any Director, or other cause, shall be filled by an affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board or by a sole remaining Director, at any regular meeting or special meeting of the Board of Directors called for that purpose except whenever the shareholders of any class or classes or series thereof are entitled to elect one or more Directors by the Certificate of Incorporation of the Corporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by a sole remaining Director so elected.

(b) If at any time, by reason of death or resignation or other cause, the Corporation shall have no Directors in office, then an officer or any shareholder or an executor, administrator, trustee, or guardian of a shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders to fill such vacancies or may apply to the Court of Chancery for a decree summarily ordering an election.

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(c) If the Directors of the Corporation constitute less than a majority of the whole Board, the Court of Chancery may, upon application of any shareholder or shareholders holding at least ten percent of the total number of shares entitled to vote for Directors, order an election to be held to fill any such vacancies or newly created directorships.

(d) Unless otherwise provided for by statute, the Certificate of Incorporation or these Bylaws, when one or more Directors shall resign from the board and such resignation is effective at a future date, a majority of the Directors, then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote otherwise to take effect when such resignation or resignations shall become effective.

Section 9 - Resignation:

The shareholders may, at any meeting, vote to accept the resignation of any Director.

Section 10 - Removal: (Section 141)

One or more or all the Directors of the Corporation may be removed with or without cause at any time by the shareholders, at a special meeting of the shareholders called for that purpose, unless the Certificate of Incorporation provides that Directors may only be removed for cause, provided however, such Director shall not be removed if the Corporation states in its Certificate of Incorporation that its Directors shall be elected by cumulative voting and there are a sufficient number of shares cast against his or her removal, which if cumulatively voted at an election of Directors would be sufficient to elect him or her. If a Director was elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove that Director.

Section 11 - Compensation: (Section 141)

The Board of Directors may authorize and establish reasonable compensation of the Directors for services to the Corporation as Directors, including, but not limited to attendance at any annual or special meeting of the Board.

Section 12 - Committees: (Section 141)

The Board of Directors, by resolution adopted by a majority of the entire Board, may from time to time designate from among its members one or more committees, and alternate members thereof, as they deem desirable, each consisting of one or more members, with such powers and authority (to the extent permitted by law and these Bylaws) as may be provided in such resolution. Each such committee shall serve at the pleasure of the Board and, unless otherwise stated by law, the Certificate of Incorporation of the Corporation or these Bylaws, shall be governed by the rules and regulations stated herein regarding the Board of Directors.

ARTICLE IV - OFFICERS

Section 1 - Number, Qualifications, Election and Term of Office: (Section 142)

(a) The Corporation's officers shall have such titles and duties as shall be stated in these Bylaws or in a resolution of the Board of Directors which is not inconsistent with these Bylaws. The officers of the Corporation shall consist of an officer whose duty is to record proceedings of shareholders' and Directors' meetings and such other officers as the Board of Directors may from time to time deem advisable. Any officer other than the Chairman of the Board of Directors may be, but is not required to be, a Director of the Corporation. Any two or more offices may be held by the same person.

(b) The officers of the Corporation shall be elected by the Board of Directors at the regular annual meeting of the Board following the annual meeting of shareholders.

(c) Each officer shall hold office until the annual meeting of the Board of Directors next succeeding his election, and until his successor shall have been duly elected and qualified, subject to earlier termination by his or her death, resignation or removal.

Section 2 - Resignation: (Section 142)

Any officer may resign at any time by giving written notice of such resignation to the Corporation.

Section 3 - Removal: (Section 142)

Any officer elected by the Board of Directors may be removed, either with or without cause, and a successor elected by the Board at any time, and any officer or assistant officer, if appointed by another officer, may likewise be removed by such officer.

Section 4 - Vacancies: (Section 142)

(a) A vacancy, however caused, occurring in the Board and any newly created Directorships resulting from an increase in the authorized number of Directors may be filled by the Board of Directors.

Section 5 - Bonds: (Section 142)

The Corporation may require any or all of its officers or Agents to post a bond, or otherwise, to the Corporation for the faithful performance of their positions or duties.

Section 6 - Compensation:

The compensation of the officers of the Corporation shall be fixed from time to time by the Board of Directors.

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ARTICLE V - SHARES OF STOCK

Section 1 - Certificate of Stock:

- (a) The shares of the Corporation shall be represented by certificates or shall be uncertificated shares.
- (b) Certificated shares of the Corporation shall be signed, (either manually or by facsimile), by the Chairperson, Vice-Chairperson, President or Vice-President and Secretary or an Assistant Secretary or the Treasurer or Assistant Treasurer, or any other Officer designated by the Board of Directors, certifying that the number of shares owned by him or her in the Corporation, provided however that where such certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the Corporation and a registrar, any such signature may be a facsimile thereof. In case any officer who has signed or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue.
- (c) Certificates shall be issued in such form not inconsistent with the Certificate of Incorporation and as shall be approved by the Board of Directors. Such certificates shall be numbered and registered on the books of the Corporation, in the order in which they were issued.
- (d) Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Section 2 - Lost or Destroyed Certificates:

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed if the owner:

- (a) so requests before the Corporation and has given notice that the shares have been acquired by a bona fide purchaser,
- (b) files with the Corporation a sufficient indemnity bond; and
- (c) satisfies such other requirements, including evidence of such loss, theft or destruction, as may be imposed by the Corporation.

Section 3 - Transfers of Shares: (Section 201)

- (a) Transfers or registration of transfers of shares of the Corporation shall be made on the stock transfer books of the Corporation by the registered holder thereof, or by his attorney duly authorized by a written power of attorney; and in the case of shares represented by certificates, only after the surrender to the Corporation of the certificates representing such shares with such shares properly endorsed, with such evidence of the authenticity of such endorsement, transfer, authorization and other matters as the Corporation may reasonably require, and the payment of all stock transfer taxes due thereon.
- (b) The Corporation shall be entitled to treat the holder of record of any share or shares as the

absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any legal, equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 4 - Record Date: (Section 213)

(a) The Board of Directors may fix, in advance, which shall not be more than sixty, nor less than ten days before the meeting or action requiring a determination of shareholders, as the record date for the determination of shareholders entitled to receive notice of, or to vote at, any meeting of shareholders, or to consent to any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividends, or allotment of any rights, or for the purpose of any other action. If no record date is fixed, the record date for a shareholder entitled to notice of meeting shall be at the close of business on the day preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held, or if notice is waived, at the close of business on the day before the day on which the meeting is held.

(b) The Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted for shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights of shareholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, provided that such record date shall not be more than sixty days before such action.

(c) The Board of Directors may fix, in advance, a date which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date is fixed and no prior action is required by the Board, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery by hand or by certified or registered mail, return receipt requested, to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of shareholders are recorded. If no record date is fixed by the Board of Directors and prior action is required by law, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(d) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

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ARTICLE VI - DIVIDENDS (Section 173)

Subject to applicable law, dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board of Directors may determine.

ARTICLE VII - FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to change by the Board of Directors from time to time, subject to applicable law.

ARTICLE VIII - CORPORATE SEAL [Section 607.0302(2)]

The corporate seal, if any, shall be in such form as shall be prescribed and altered, from time to time, by the Board of Directors.

ARTICLE IX - AMENDMENTSSection 1 - Initial Bylaws:

The initial Bylaws of the Corporation shall be adopted by the Board of Directors at its organizational meeting.

Section 2 - By Shareholders:

All By-Laws of the Corporation shall be subject to alteration or repeal, and new By-Laws may be made, by a majority vote of the shareholders at the time entitled to vote in the election of Directors even though these Bylaws may also be altered, amended or repealed by the Board of Directors.

Section 3 - By Directors:

The Board of Directors shall have power to make, adopt, alter, amend and repeal, from time to time, By-Laws of the Corporation; however, Bylaws made by the Board may be altered or repealed, and new Bylaws made by the shareholders.

ARTICLE X - WAIVER OF NOTICE: (Section 229)

Whenever any notice is required to be given by law, the Certificate of Incorporation or these Bylaws, the meeting of shareholders, Board of Directors, or committee thereof, or attendance at the meeting by any person, shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders, Directors or committee thereof needs to be specified in any written waiver of notice.

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ARTICLE XI - INTERESTED DIRECTORS: (Section 144)

No contract or transaction shall be void or voidable if such contract or transaction is between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers, are Directors or Officers, or have a financial interest, when such Director or officer is present at or participates in the meeting of the Board or committee which authorizes the contract or transaction or his, her or their votes are counted for such purpose, if:

(a) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(b) the material facts as to his, her or their relationship or relationships or interest or interests and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the shareholders.

Such interested Directors may be counted when determining the presence of a quorum at the Board of Directors or committee meeting authorizing the contract or transaction.

ARTICLE XII - FORM OF RECORDS: (Section 224)

Any records maintained by the Corporation in its regular course of business, including, but not limited to, its stock ledger, books of account and minute book, may be kept on, or be in the form of punch cards, magnetic tape, photographs, micro-photographs or any other information storage device, provided that the records so kept may be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any of such records so kept upon the request of any person entitled to inspect the same.

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Section 4 - Place of Meetings: (Section 211)

Meetings of shareholders shall be held at the registered office of the Corporation, or at such other places, within or without the State of Delaware as the Directors may from time to time fix. If no designation is made, the meeting shall be held at the Corporation's registered office in the state of Delaware.

Section 5 - Notice of Meetings: (Section 222)

(a) Written or printed notice of each meeting of shareholders, whether annual or special, stating the time when and place where it is to be held, shall be served either personally or by first class mail, by or at the direction of the president, the secretary, or the officer or the person calling the meeting, not less than ten or more than sixty days before the date of the meeting, unless the lapse of the prescribed time shall have been waived before or after the taking of such action, upon each shareholder of record entitled to vote at such meeting, and to any other shareholder to whom the giving of notice may be required by law. Notice of a special meeting shall also state the business to be transacted or the purpose or purposes for which the meeting is called, and shall indicate that it is being issued by, or at the direction of, the person or persons calling the meeting. If, at any meeting, action is proposed to be taken that would, if taken, entitle shareholders to dissent and receive payment for their shares pursuant to the Delaware General Corporation Law, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder as it appears on the share transfer records of the Corporation.

Section 6 - Shareholders' List: (Section 219)

(a) After fixing a record date for a meeting, the officer who has charge of the stock ledger of the Corporation, shall prepare an alphabetical list of the names of all its shareholders entitled to notice of the meeting, arranged by voting group with the address of, and the number, class, and series, if any, of shares held by, each shareholder. The shareholders' list must be available for inspection by any shareholder for a period of ten days before the meeting or such shorter time as exists between the record date and the meeting and continuing through the meeting at the Corporation's principal office, at a place identified in the meeting notice in the city where the meeting will be held, or at the office of the Corporation's transfer agent or registrar. Any shareholder of the Corporation or the shareholder's agent or attorney is entitled on written demand to inspect the shareholders' list during regular business hours and at the shareholder's expense, during the period it is available for inspection.

(b) The Corporation shall make the shareholder's list available at the meeting of shareholders, and any shareholder or the shareholder's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

(c) Upon the willful neglect or refusal of the Directors to produce such a list at any meeting for the election of Directors, such Directors shall be ineligible for election for any office at such

meeting.

(d) The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by Section 219 of the Delaware General Corporation Law or the books of the Corporation, or to vote in person or by proxy at any shareholders' meeting.

Section 7 - Quorum: (Section 216)

(a) Except as otherwise provided herein, or by law, or in the Certificate of Incorporation (such Articles and any amendments thereof being hereinafter collectively referred to as the "Certificate of Incorporation"), or for meetings ordered by the Court of Chancery called pursuant to Section 211 of the Delaware General Corporations Law, a quorum shall be present at all meetings of shareholders of the Corporation, if the holders of a majority of the shares entitled to vote on that matter are represented at the meeting in person or by proxy.

(b) The subsequent withdrawal of any shareholder from the meeting, after the commencement of a meeting, or the refusal of any shareholder represented in person or by proxy to vote, shall have no effect on the existence of a quorum, after a quorum has been established at such meeting.

(c) Despite the absence of a quorum at any meeting of shareholders, the shareholders present may adjourn the meeting.

Section 8 - Voting: (Section 212 & 216)

(a) Except as otherwise provided by law, the Certificate of Incorporation, or these Bylaws, any corporate action, other than the election of Directors, the affirmative vote of the majority of shares entitled to vote on that matter and represented either in person or by proxy at a meeting of shareholders at which a quorum is present shall be the act of the shareholders of the Corporation.

(b) Unless otherwise provided for in the Articles of Incorporation of this Corporation, directors will be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present and each shareholder entitled to vote has the right to vote the number of shares owned by him for as many persons as there are Directors to be elected. Unless otherwise provided for in the Certificate of Incorporation of this Corporation, Directors will be elected by a plurality of the votes by the shares, present in person or by proxy, entitled to vote in the election at a meeting at which a quorum is present and each shareholder entitled to vote has the right to vote the number of shares owned by him/her for as many persons as there are Directors to be elected.

(c) Except as otherwise provided by statute, the Certificate of Incorporation, or these bylaws, at each meeting of shareholders, each shareholder of the Corporation entitled to vote thereat, shall be entitled to one vote for each share registered in his name on the books of the Corporation.

Section 9 - Proxies: (Section 212)

Each shareholder entitled to vote or to express consent or dissent without a meeting, may do so either in person or by proxy, so long as such proxy is executed in writing by the shareholder himself, or by his attorney-in-fact thereunto duly authorized in writing. Every proxy shall be

revocable at will unless the proxy conspicuously states that it is irrevocable and the proxy is coupled with an interest. A telegram, telex, cablegram, or similar transmission by the shareholder, or as a photographic, photostatic, facsimile, shall be treated as a valid proxy, and treated as a substitution of the original proxy, so long as such transmission is a complete reproduction executed by the shareholder. No proxy shall be valid after the expiration of three years from the date of its execution, unless otherwise provided in the proxy. Such instrument shall be exhibited to the Secretary at the meeting and shall be filed with the records of the Corporation.

Section 10 - Action Without a Meeting: (Section 228)

Unless otherwise provided for in the Certificate of Incorporation of the Corporation, any action to be taken at any annual or special shareholders' meeting, may be taken without a meeting, without prior notice and without a vote if a written consent or consents is/are signed by the shareholders of the Corporation having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted is delivered by hand or by certified or registered mail, return receipt requested, to the Corporation to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of shareholders' meetings are recorded.

Section 11 - Inspectors (Section 231)

(a) The Corporation shall appoint one or more inspectors, and one or more alternate inspectors, to act at any shareholder' meeting and make a written report thereof, so long a such inspectors sign an oath to faithfully execute their duties with impartiality and to the best of their ability before such meeting. if no inspector or alternate is able to act a shareholder' meeting, the presiding officer shall appoint one or more inspectors to act at the meeting.

*(b) The inspector shall:

- (I) ascertain the number of shares entitled to vote and the voting power of each such shareholder;
- (II) determine the shares represented at a meeting and the validity of proxies and ballots;
- (III) count all votes and ballots;
- (IV) determine and retain for a reasonable time a disposition record of any challenges made to any of the inspectors' determinations; and
- (V) certify the inspectors' determinations of the number of shares represented at the meeting and their count of all votes and ballots.

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ARTICLE III - BOARD OF DIRECTORS

Section 1 - Number, Term, Election and Qualifications: (Section 141)

(a) The first Board of Directors and all subsequent Boards of the Corporation shall consist of _____, unless and until otherwise determined by vote of a majority of the entire Board of Directors. The Board of Directors or shareholders all have the power, in the interim between annual and special meetings of the shareholders, to increase or decrease the number of Directors of the Corporation. A Director need not be a shareholder of the Corporation unless the Certificate of Incorporation of the Corporation or these Bylaws require.

(b) Except as may otherwise be provided herein or in the Certificate of Incorporation, the members of the Board of Directors of the Corporation shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter, unless their terms are staggered in the Certificate of Incorporation of the Corporation or these Bylaws, by a majority of the votes cast at a meeting of shareholders, by the holders of shares entitled to vote in the election.

(c) The first Board of Directors shall hold office until the first annual meeting of shareholders and until their successors have been duly elected and qualified or until there is a decrease in the number of Directors. Thereinafter, Directors will be elected at the annual meeting of shareholders and shall hold office until the annual meeting of the shareholders next succeeding his election, or until his prior death, resignation or removal. Any Director may resign at any time upon written notice of such resignation to the Corporation.

***NOTE:** Article II Section 1 Subsection (b) of these Bylaws shall not be used in the Corporation's Bylaws unless the Corporation has one or more classes of voting stock that are:

(i) listed on a national exchange; (ii) authorized for quotation on an interdealer quotation system of a registered national securities association; or (iii) held by more than two thousand shareholder of record of the Corporation.

Section 2 - Duties and Powers: (Section 141)

The Board of Directors shall be responsible for the control and management of the business and affairs, property and interests of the Corporation, and may exercise all powers of the Corporation, except such as those stated under Delaware state law, are in the Certificate of Incorporation or by these Bylaws, expressly conferred upon or reserved to the shareholders or any other person or persons named therein.

Section 3 - Regular Meetings; Notice:

(a) A regular meeting of the Board of Directors shall be held either within or without the State of Delaware at such time and at such place as the Board shall fix

(b) No notice shall be required of any regular meeting of the Board of Directors and, if given, need not specify the purpose of the meeting; provided, however, that in case the Board of Directors shall fix or change the time or place of any regular meeting when such time and place was fixed before such change, notice of such action shall be given to each director who shall not have been present at the meeting at which such action was taken within the time limited, and in the

manner set forth in these Bylaws with respect to special meetings, unless such notice shall be waived in the manner set forth in these Bylaws.

Section 4 - Special Meetings: Notice:

(a) Special meetings of the Board of Directors shall be held at such time and place as may be specified in the respective notices or waivers of notice thereof.

(b) Except as otherwise required statute, written notice of special meetings shall be mailed directly to each Director, addressed to him at his residence or usual place of business, or delivered orally, with sufficient time for the convenient assembly of Directors thereat, or shall be sent to him at such place by telegram, radio or cable, or shall be delivered to him personally or given to him orally, not later than the day before the day on which the meeting is to be held. If mailed, the notice of any special meeting shall be deemed to be delivered on the second day after it is deposited in the United States mails, so addressed, with postage prepaid. If notice is given by telegram, it shall be deemed to be delivered when the telegram is delivered to the telegraph company. A notice, or waiver of notice, except as required by these Bylaws, need not specify the business to be transacted at or the purposes or purposes of the meeting.

(c) Notice of any special meeting shall not be required to be given to any Director who shall attend such meeting without protesting prior thereto or at its commencement, the lack of notice to him, or who submits a signed waiver of notice, whether before or after the meeting. Notice of any adjourned meeting shall not be required to be given.

(d) Unless otherwise stated in the Articles of Incorporation of the Corporation, the Chairperson, President, Treasurer, Secretary or any two or more Directors of the Corporation may call any special meeting of the Board of Directors.

Section 5 - Chairperson:

The Chairperson of the Board, if any and if present, shall preside at all meetings of the Board of Directors. If there shall be no Chairperson, or he or she shall be absent, then the President shall preside, and in his absence, any other director chosen by the Board of Directors shall preside.

Section 6 - Quorum and Adjournments: (Section 141)

(a) At all meetings of the Board of Directors, or any committee thereof, the presence of a majority of the entire Board, or such committee thereof, shall constitute a quorum for the transaction of business, except as otherwise provided by law, by the Certificate of Incorporation, or these Bylaws. (Note: If the Certificate of Incorporation authorize a quorum to consist of less than a majority, but no fewer than one-third of the prescribed number of Directors as permitted by law except that when a card of one Director is authorized under Section 141 of the Delaware General Corporation Law, then one Director shall constitute a quorum or if the Certificate of Incorporation and/or Bylaws require a greater number than a majority as constituting a quorum then these Bylaws would state that this lesser or greater amount, instead of a majority, will constitute a quorum.)

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(b) A majority of the directors present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time without notice, whether or not a quorum exists. Notice of such adjourned meeting shall be given to Directors not present at time of the adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to the other Directors who were present at the adjourned meeting.

Section 7 - Manner of Acting: (Section 141)

(a) At all meetings of the Board of Directors, each director present shall have one vote, irrespective of the number of shares of stock, if any, which he may hold.

(b) Except as otherwise provided by law, by the Certificate of Incorporation, or these By Laws, action approved by a majority of the votes of the Directors present at any meeting of the Board or any committee thereof, at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

(c) Any action authorized in writing made prior or subsequent to such action, by all of the directors entitled to vote thereon and filed with the minutes of the Corporation shall be the act of the Board of Directors, or any committee thereof, and have the same force and effect as if the same had been passed by unanimous vote at a duly called meeting of the Board or committee for all purposes and may be stated as such in any certificate or document filed with the Secretary of the State of Delaware.

(d) Where appropriate communications facilities are reasonably available, any or all directors shall have the right to participate in any Board of Directors meeting, or a committee of the Board of Directors meeting, by means of conference telephone or any means of communications by which all persons participating in the meeting are able to hear each other.

Section 8 - Vacancies: (Section 223)

(a) Any vacancy in the Board of Directors occurring by reason of an increase in the number of directors, or by reason of the death, resignation, disqualification, removal or inability to act of any director, or other cause, shall be filled by an affirmative vote of a majority of the remaining directors, though less than a quorum of the Board or by a sole remaining Director, at any regular meeting or special meeting of the Board of Directors called for that purpose except whenever the shareholders of any class or classes or series thereof are entitled to elect one or more Directors by the Certificate of Incorporation of the Corporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by a sole remaining Director so elected.

(b) If at any time, by reason of death or resignation or other cause, the Corporation shall have no Directors in office, then an officer or any shareholder or an executor, administrator, trustee, or guardian of a shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders to fill such vacancies or may apply to the Court of Chancery for a decree summarily ordering an election.

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(c) If the Directors of the Corporation constitute less than a majority of the whole Board, the Court of Chancery may, upon application of any shareholder or shareholders holding at least ten percent of the total number of shares entitled to vote for Directors, order an election to be held to fill any such vacancies or newly created directorships.

(d) Unless otherwise provided for by statute, the Certificate of Incorporation or these Bylaws, when one or more directors shall resign from the board and such resignation is effective at a future date, a majority of the directors, then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote otherwise to take effect when such resignation or resignations shall become effective.

Section 9 - Resignation

The shareholders may, at any meeting, vote to accept the resignation of any Director.

Section 10 - Removal: (Section 141)

One or more or all the Directors of the Corporation may be removed with or without cause at any time by the shareholders, at a special meeting of the shareholders called for that purpose, unless the Certificate of Incorporation provide that Directors may only be removed for cause, provided however, such Director shall not be removed if the Corporation's states in its Certificate of Incorporation that its Directors shall be elected by cumulative voting and there are a sufficient number of shares cast against his or her removal, which if cumulatively voted at an election of Directors would be sufficient to elect him or her. If a Director was elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove that Director.

Section 11 - Compensation: (Section 141)

The Board of Directors may authorize and establish reasonable compensation of the Directors for services to the Corporation as Directors, including, but not limited to attendance at any annual or special meeting of the Board.

Section 12 - Committees: (Section 141)

The Board of Directors, by resolution adopted by a majority of the entire Board, may from time to time designate from among its members one or more committees, and alternate members thereof, as they deem desirable, each consisting of one or more members, with such powers and authority (to the extent permitted by law and these Bylaws) as may be provided in such resolution. Each such committee shall serve at the pleasure of the Board and, unless otherwise stated by law, the Certificate of Incorporation of the Corporation or these Bylaws, shall be governed by the rules and regulations stated herein regarding the Board of Directors.

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ARTICLE IV - OFFICERS

Section 1 - Number, Qualifications, Election and Term of Office: (Section 142)

(a) The Corporation's officers shall have such titles and duties as shall be stated in these Bylaws or in a resolution of the Board of Directors which is not inconsistent with these Bylaws. The officers of the Corporation shall consist an officer whose duty is to record proceedings of shareholders' and Directors' meetings and such other officers as the Board of Directors may from time to time deem advisable. Any officer other than the Chairman of the Board of Directors may be, but is not required to be, a Director of the Corporation. Any two or more offices may be held by the same person.

(b) The officers of the Corporation shall be elected by the Board of Directors at the regular annual meeting of the Board following the annual meeting of shareholders.

(c) Each officer shall hold office until the annual meeting of the Board of Directors next succeeding his election, and until his successor shall have been duly elected and qualified, subject to earlier termination by his or her death, resignation or removal.

Section 2 - Resignation: (Section 142)

Any officer may resign at any time by giving written notice of such resignation to the Corporation.

Section 3 - Removal: (Section 142)

Any officer elected by the Board of Directors may be removed, either with or without cause, and a successor elected by the Board at any time, and any officer or assistant officer, if appointed by another officer, may likewise be removed by such officer

Section 4 - Vacancies: (Section 142)

(a) A vacancy, however caused, occurring in the Board and any newly created Directorships resulting from an increase in the authorized number of Directors may be filled by the Board of Directors.

Section 5 - Bonds: (Section 142)

The Corporation may require any or all of its officers or Agents to post a bond, or otherwise, to the Corporation for the faithful performance of their positions or duties.

Section 6 - Compensation:

The compensation of the officers of the Corporation shall be fixed from time to time by the Board of Directors.

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ARTICLE V - SHARES OF STOCK

Section 1 - Certificate of Stock:

(a) The shares of the Corporation shall be represented by certificates or shall be uncertificated shares.

(b) Certificated shares of the Corporation shall be signed, (either manually or by facsimile), by the Chairperson, Vice-Chairperson, President or Vice-President and Secretary or an Assistant Secretary or the Treasurer or Assistant Treasurer, or any other Officer designated by the Board of Directors, certifying that the number of shares owned by him or her in the Corporation, provided however that where such certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the Corporation and a registrar, any such signature may be a facsimile thereof. In case any officer who has signed or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue.

(c) Certificates shall be issued in such form not inconsistent with the Certificate of Incorporation and as shall be approved by the Board of Directors. Such certificates shall be numbered and registered on the books of the Corporation, in the order in which they were issued.

(d) Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Section 2 - Lost or Destroyed Certificates:

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed if the owner:

(a) so requests before the Corporation has notice that the shares have been acquired by a bona fide purchaser,

(b) files with the Corporation a sufficient indemnity bond; and

(c) satisfies such other requirements, including evidence of such loss, theft or destruction, as may be imposed by the Corporation.

Section 3 - Transfers of Shares: (Section 201)

(a) Transfers or registration of transfers of shares of the Corporation shall be made on the stock transfer books of the Corporation by the registered holder thereof, or by his attorney duly authorized by a written power of attorney; and in the case of shares represented by certificates, only after the surrender to the Corporation of the certificates representing such shares with such shares properly endorsed, with such evidence of the authenticity of such endorsement, transfer, authorization and other matters as the Corporation may reasonably require, and the payment of all stock transfer taxes due thereon.

(b) The Corporation shall be entitled to treat the holder of record of any share or shares as the absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any

legal, equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 4 - Record Date: (Section 213)

(a) The Board of Directors may fix, in advance, which shall not be more than sixty, nor less than ten days before the meeting or action requiring a determination of shareholders, as the record date for the determination of shareholders entitled to receive notice of, or to vote at, any meeting of shareholders, or to consent to any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividends, or allotment of any rights, or for the purpose of any other action. If no record date is fixed, the record date for a shareholders entitled to notice of meeting shall be at the close of business on the day preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held, or if notice is waived, at the close of business on the day before the day on which the meeting is held.

(b) The Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted for shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights of shareholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, provided that such record date shall not be more than sixty days before such action.

(c) The Board of Directors may fix, in advance, a date which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date is fixed and no prior action is required by the Board, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery by hand or by certified or registered mail, return receipt requested, to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of shareholders are recorded. If no record date is fixed by the Board of Directors and prior action is required by law, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(d) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

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ARTICLE VI - DIVIDENDS (Section 173)

Subject to applicable law, dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board of Directors may determine.

ARTICLE VII - FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to changed by the Board of Directors from time to time, subject to applicable law.

ARTICLE VIII - CORPORATE SEAL [Section 607.0302(2)]

The corporate seal, if any, shall be in such form as shall be prescribed and altered, from time to time, by the Board of Directors.

ARTICLE IX - AMENDMENTSSection 1 - Initial Bylaws:

The initial Bylaws of the Corporation shall be adopted by the Board of Directors at its organizational meeting.

Section 2 - By Shareholders:

All by-laws of the Corporation shall be subject to alteration or repeal, and new by-laws may be made, by a majority vote of the shareholders at the time entitled to vote in the election of directors even though these Bylaws may also be altered, amended or repealed by the Board of Directors.

Section 3 - By Directors:

The Board of Directors shall have power to make, adopt, alter, amend and repeal, from time to time, by-laws of the Corporation; however, Bylaws made by the Board may be altered or repealed, and new Bylaws made by the shareholders.

ARTICLE X - WAIVER OF NOTICE: (Section 229)

Whenever any notice is required to be given by law, the Certificate of Incorporation or these Bylaws of any these Bylaws, meeting of shareholders, Board of Directors, or committee thereof, or attendance at the meeting by any person, shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders, Directors or committee thereof need be specified in any written waiver of notice.

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ARTICLE XI - INTERESTED DIRECTORS: (Section 144)

No contract or transaction shall be void or voidable if such contract or transaction is between the corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers, are directors or officers, or have a financial interest, when such Director or officer is present at or participates in the meeting of the Board of committee which authorizes the contract or transaction or his, her or their votes are counted for such purpose, if

(a) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(b) the material facts as to his, her or their relationship or relationships or interest or interests and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the shareholders.

Such interested Directors may be counted when determining the presence of a quorum at the Board of Directors' or committee meeting authorizing the contract or transaction.

ARTICLE XII - FORM OF RECORDS: (Section 224)

Any records maintained by the Corporation in its regular course of business, including, but not limited to, its stock ledger, books of account and minute book, may be kept on, or be in the form of punch cards, magnetic tape, photographs, micro-photographs or any other information storage device, provided that the records so kept may be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any of such records so kept upon the request of any person entitled to inspect the same.

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State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CENCO, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE ELEVENTH DAY OF MARCH, A.D. 1998.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.

CONFIDENTIAL

A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

AUTHENTICATION:

DATE:

2868678 8300

8964598

981092457

03-11-98

CERTIFICATE OF INCORPORATION**OF****CENCO REFINING COMPANY**

1. The name of the corporation is **CENCO REFINING COMPANY**.

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock which the corporation shall have authority to issue is: One Hundred Million (100,000,000) of which stock Fifty Million (50,000,000) shares of the par value of No Dollars and One Cent (\$0.01) each, amounting in the aggregate to Five Hundred Thousand Dollars and Zero Cent (\$500,000) shall be Class A Common stock and of which Fifty Million (50,000,000) shares of the par value of No Dollars and One Cent (\$0.01) each, amounting in the aggregate to Five Hundred Thousand Dollars and Zero Cent (\$500,000) shall be Class B Common stock.

The designation and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof are as follows:

Common Class A share shall have twenty votes. Common Class B each share shall have one vote.

5. The name and mailing address of each incorporator is as follows:

NAME**MAILING ADDRESS**

M. A. Spencer

Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

C. L. Hughes

Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

6. The corporation is to have perpetual existence.

7. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

To make, alter or repeal the by-laws of the corporation.

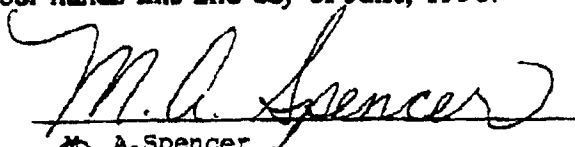
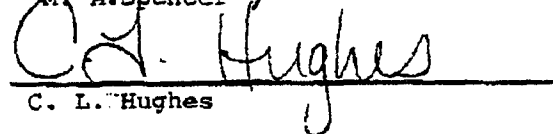
8. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation.

9. The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

10. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit.

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this Certificate, hereby declaring and certifying that this is our act and deed and the facts herein stated are true, and accordingly have hereunto set our hands this 2nd day of June, 1998.


M. A. Spencer

C. L. Hughes

CONFIDENTIAL

BY-LAWS
OF
CENCO REFINING COMPANY

A Delaware Corporation

ARTICLE I - OFFICES

The registered office of the Corporation in the State of Delaware shall be located in the City and State designated in the Certificate of Incorporation. The Corporation may also maintain offices at such other places within or without the State of Delaware as the Board of Directors may, from time to time, determine.

ARTICLE II - MEETING OF SHAREHOLDERS

Section 1 - Annual Meetings: (Section 211)

The annual meeting of the shareholders of the Corporation shall be held at the time fixed, from time to time, by the Directors, at the time fixed from time to time by the Directors.

Section 2 - Special Meetings: (Section 211)

Special meetings of the shareholders may be called by the Board of Directors or such person or persons authorized by the Board of Directors and shall be held within or without the State of Delaware.

Section 3 - Court-ordered meeting: (Section 211)

The Court of Chancery in this State where the Corporation's principal office is located, or where the Corporation's registered office is located if its principal office is not located in this state, may after notice to the Corporation, order a meeting to be held on application of any Director or shareholder of the Corporation entitled to vote in an annual meeting if an annual meeting has not been held within any thirteen month period, if there is a failure by the Corporation to hold an annual meeting for a period of thirty days after the date designated therefor, or if no date has been designated, for a period of thirteen months after the organization of the Corporation or after its last annual meeting. The court may fix the time and place of the meeting, determine the shares entitled to participate in the meeting, specify a record date for determining shareholders entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, and enter other orders as may be appropriate.

* All references to Sections in these By Laws refer to those sections contained in the Delaware General Corporation Law.

Section 4 - Place of Meetings: (Section 211)

Meetings of shareholders shall be held at the registered office of the Corporation, or at such other places, within or without the State of Delaware as the Directors may from time to time fix. If no designation is made, the meeting shall be held at the Corporation's registered office in the state of Delaware.

Section 5 - Notice of Meetings: (Section 222)

(a) Written or printed notice of each meeting of shareholders, whether annual or special, stating the time when and place where it is to be held, shall be served either personally or by first class mail, by or at the direction of the president, the secretary, or the officer or the person calling the meeting, not less than ten or more than sixty days before the date of the meeting, unless the lapse of the prescribed time shall have been waived before or after the taking of such action, upon each shareholder of record entitled to vote at such meeting, and to any other shareholder to whom the giving of notice may be required by law. Notice of a special meeting shall also state the business to be transacted or the purpose or purposes for which the meeting is called, and shall indicate that it is being issued by, or at the direction of, the person or persons calling the meeting. If, at any meeting, action is proposed to be taken that would, if taken, entitle shareholders to dissent and receive payment for their shares pursuant to the Delaware General Corporation Law, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder as it appears on the share transfer records of the Corporation.

Section 6 - Shareholders' List: (Section 219)

(a) After fixing a record date for a meeting, the officer who has charge of the stock ledger of the Corporation, shall prepare an alphabetical list of the names of all its shareholders entitled to notice of the meeting, arranged by voting group with the address of, and the number, class, and series, if any, of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder for a period of ten days before the meeting or such shorter time as exists between the record date and the meeting and continuing through the meeting at the Corporation's principal office, at a place identified in the meeting notice in the city where the meeting will be held, or at the office of the Corporation's transfer agent or registrar. Any shareholder of the Corporation or the shareholder's agent or attorney is entitled on written demand to inspect the shareholders' list during regular business hours and at the shareholder's expense, during the period it is available for inspection.

(b) The Corporation shall make the shareholder's list available at the meeting of shareholders, and any shareholder or the shareholder's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment.

(c) Upon the willful neglect or refusal of the Directors to produce such a list at any meeting for the election of Directors, such Directors shall be ineligible for election for any office at such

meeting.

(d) The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by Section 219 of the Delaware General Corporation Law or the books of the Corporation, or to vote in person or by proxy at any shareholders' meeting.

Section 7 - Quorum: (Section 216)

(a) Except as otherwise provided herein, or by law, or in the Certificate of Incorporation (such Articles and any amendments thereof being hereinafter collectively referred to as the "Certificate of Incorporation"), or for meetings ordered by the Court of Chancery called pursuant to Section 211 of the Delaware General Corporations Law, a quorum shall be present at all meetings of shareholders of the Corporation, if the holders of a majority of the shares entitled to vote on that matter are represented at the meeting in person or by proxy.

(b) The subsequent withdrawal of any shareholder from the meeting, after the commencement of a meeting, or the refusal of any shareholder represented in person or by proxy to vote, shall have no effect on the existence of a quorum, after a quorum has been established at such meeting.

(c) Despite the absence of a quorum at any meeting of shareholders, the shareholders present may adjourn the meeting.

Section 8 - Voting: (Section 212 & 216)

(a) Except as otherwise provided by law, the Certificate of Incorporation, or these Bylaws, any corporate action, other than the election of Directors, the affirmative vote of the majority of shares entitled to vote on that matter and represented either in person or by proxy at a meeting of shareholders at which a quorum is present shall be the act of the shareholders of the Corporation.

(b) Unless otherwise provided for in the Articles of Incorporation of this Corporation, directors will be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present and each shareholder entitled to vote has the right to vote the number of shares owned by him for as many persons as there are Directors to be elected.

(c) Unless otherwise provided for in the Certificate of Incorporation of this Corporation, Directors will be elected by a plurality of the votes by the shares, present in person or by proxy, entitled to vote in the election at a meeting at which a quorum is present and each shareholder entitled to vote has the right to vote the number of shares owned by him/her for as many persons as there are Directors to be elected.

(d) Except as otherwise provided by statute, the Certificate of Incorporation, or these bylaws, at each meeting of shareholders, each shareholder of the Corporation entitled to vote thereat, shall be entitled to one vote for each share registered in his name on the books of the Corporation.

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Section 9 - Proxies: (Section 212)

Each shareholder entitled to vote or to express consent or dissent without a meeting, may do so either in person or by proxy, so long as such proxy is executed in writing by the shareholder himself, or by his attorney-in-fact thereunto duly authorized in writing. Every proxy shall be revocable at will unless the proxy conspicuously states that it is irrevocable and the proxy is coupled with an interest. A telegram, telex, cablegram, or similar transmission by the shareholder, or a photographic, photostatic, facsimile, shall be treated as a valid proxy, and treated as a substitution of the original proxy, so long as such transmission is a complete reproduction executed by the shareholder. No proxy shall be valid after the expiration of three years from the date of its execution, unless otherwise provided in the proxy. Such instrument shall be exhibited to the Secretary at the meeting and shall be filed with the records of the Corporation.

Section 10 - Action Without a Meeting: (Section 228)

Unless otherwise provided for in the Certificate of Incorporation of the Corporation, any action to be taken at any annual or special shareholders' meeting, may be taken without a meeting, without prior notice and without a vote if a written consent or consents is/are signed by the shareholders of the Corporation having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted is delivered by hand or by certified or registered mail, return receipt requested, to the Corporation to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of shareholders' meetings are recorded.

Section 11 - Inspectors: (Section 231)

(a) The Corporation shall appoint one or more inspectors, and one or more alternate inspectors, to act at any shareholder' meeting and make a written report thereof, so long as such inspectors sign an oath to faithfully execute their duties with impartiality and to the best of their ability before such meeting. If no inspector or alternate is able to act at the shareholders meeting, the presiding officer shall appoint one or more inspectors to act at the meeting.

*(b) The inspector shall:

- (i) ascertain the number of shares entitled to vote and the voting power of each such shareholder;
- (ii) determine the shares represented at a meeting and the validity of proxies and ballots;
- (iii) count all votes and ballots;
- (iv) determine and retain for a reasonable time a disposition record of any challenges made to any of the inspectors' determinations; and
- (v) certify the inspectors' determinations of the number of shares represented at the meeting and their count of all votes and ballots.

CONFIDENTIAL

ARTICLE III - BOARD OF DIRECTORS

Section 1 - Number, Term, Election and Qualifications: (Section 141)

(a) The first Board of Directors and all subsequent Boards of the Corporation shall consist of _____, unless and until otherwise determined by vote of a majority of the entire Board of Directors. The Board of Directors or shareholders all have the power, in the interim between annual and special meetings of the shareholders, to increase or decrease the number of Directors of the Corporation. A Director need not be a shareholder of the Corporation unless the Certificate of Incorporation of the Corporation or these Bylaws require.

(b) Except as may otherwise be provided herein or in the Certificate of Incorporation, the members of the Board of Directors of the Corporation shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter, unless their terms are staggered in the Certificate of Incorporation of the Corporation or these Bylaws, by a majority of the votes cast at a meeting of shareholders, by the holders of shares entitled to vote in the election.

(c) The first Board of Directors shall hold office until the first annual meeting of shareholders and until their successors have been duly elected and qualified or until there is a decrease in the number of Directors. Thereinafter, Directors will be elected at the annual meeting of shareholders and shall hold office until the annual meeting of the shareholders next succeeding his election, or until his prior death, resignation or removal. Any Director may resign at any time upon written notice of such resignation to the Corporation.

*NOTE: Article II Section 1 Subsection (b) of these Bylaws shall not be used in the Corporation's Bylaws unless the Corporation has one or more classes of voting stock that are:

(i) listed on a national exchange; (ii) authorized for quotation on an interdealer quotation system of a registered national securities association; or (iii) held by more than two thousand shareholders of record of the Corporation.

Section 2 - Duties and Powers: (Section 141)

The Board of Directors shall be responsible for the control and management of the business and affairs, property and interests of the Corporation, and may exercise all powers of the Corporation, except such as those stated under Delaware state law, are in the Certificate of Incorporation or by these Bylaws, expressly conferred upon or reserved to the shareholders or any other person or persons named therein.

Section 3 - Regular Meetings; Notice:

(a) A regular meeting of the Board of Directors shall be held either within or without the State of Delaware at such time and at such place as the Board shall fix.

(b) No notice shall be required of any regular meeting of the Board of Directors and, if given, need not specify the purpose of the meeting; provided, however, that in case the Board of Directors shall fix or change the time or place of any regular meeting when such time and place was fixed before such change, notice of such action shall be given to each Director who shall not have

been present at the meeting at which such action was taken within the time limited, and in the manner set forth in these Bylaws with respect to special meetings, unless such notice shall be waived in the manner set forth in these Bylaws.

Section 4 - Special Meetings: Notice:

(a) Special meetings of the Board of Directors shall be held at such time and place as may be specified in the respective notices or waivers of notice thereof.

(b) Except as otherwise required statute, written notice of special meetings shall be mailed directly to each Director, addressed to him at his residence or usual place of business, or delivered orally, with sufficient time for the convenient assembly of Directors thereat, or shall be sent to him at such place by telegram, radio or cable, or shall be delivered to him personally or given to him orally, not later than the day before the day on which the meeting is to be held. If mailed, the notice of any special meeting shall be deemed to be delivered on the second day after it is deposited in the United States mails, so addressed, with postage prepaid. If notice is given by telegram, it shall be deemed to be delivered when the telegram is delivered to the telegraph company. A notice, or waiver of notice, except as required by these Bylaws, need not specify the business to be transacted at or the purpose or purposes of the meeting.

(c) Notice of any special meeting shall not be required to be given to any Director who shall attend such meeting without protesting prior thereto or at its commencement, the lack of notice to him, or who submits a signed waiver of notice, whether before or after the meeting. Notice of any adjourned meeting shall not be required to be given.

(d) Unless otherwise stated in the Articles of Incorporation of the Corporation, the Chairperson, President, Treasurer, Secretary or any two or more Directors of the Corporation may call any special meeting of the Board of Directors.

Section 5 - Chairperson:

The Chairperson of the Board, if any and if present, shall preside at all meetings of the Board of Directors. If there shall be no Chairperson, or he or she shall be absent, then the President shall preside, and in his absence, any other Director chosen by the Board of Directors shall preside.

Section 6 - Quorum and Adjournments: (Section 141)

(a) At all meetings of the Board of Directors, or any committee thereof, the presence of a majority of the entire Board, or such committee thereof, shall constitute a quorum for the transaction of business, except as otherwise provided by law, by the Certificate of Incorporation, or these Bylaws. (Note: If the Certificate of Incorporation authorize a quorum to consist of less than a majority, but no fewer than one-third of the prescribed number of Directors as permitted by law except that when a card of one Director is authorized under Section 141 of the Delaware General Corporation Law, then one Director shall constitute a quorum or if the Certificate of Incorporation and/or Bylaws require a greater number than a majority as constituting a quorum then these Bylaws would state that this lesser or greater amount, instead of a majority, will constitute a quorum.)

(b) A majority of the Directors present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time without notice, whether or not a quorum exists. Notice of such adjourned meeting shall be given to Directors not present at time of the adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to the other Directors who were present at the adjourned meeting.

Section 7 - Manner of Acting: (Section 141)

(a) At all meetings of the Board of Directors, each director present shall have one vote, irrespective of the number of shares of stock, if any, which he may hold.

(b) Except as otherwise provided by law, by the Certificate of Incorporation, or these By Laws, action approved by a majority of the votes of the Directors present at any meeting of the Board or any committee thereof, at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

(c) Any action authorized in writing made prior or subsequent to such action, by all of the Directors entitled to vote thereon and filed with the minutes of the Corporation shall be the act of the Board of Directors, or any committee thereof, and have the same force and effect as if the same had been passed by unanimous vote at a duly called meeting of the Board or committee for all purposes and may be stated as such in any certificate or document filed with the Secretary of the State of Delaware.

(d) Where appropriate communications facilities are reasonably available, any or all Directors shall have the right to participate in any Board of Directors meeting, or a committee of the Board of Directors meeting, by means of conference telephone or any means of communications by which all persons participating in the meeting are able to hear each other.

Section 8 - Vacancies: (Section 223)

(a) Any vacancy in the Board of Directors occurring by reason of an increase in the number of Directors, or by reason of the death, resignation, disqualification, removal or inability to act of any Director, or other cause, shall be filled by an affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board or by a sole remaining Director, at any regular meeting or special meeting of the Board of Directors called for that purpose except whenever the shareholders of any class or classes or series thereof are entitled to elect one or more Directors by the Certificate of Incorporation of the Corporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by a sole remaining Director so elected.

(b) If at any time, by reason of death or resignation or other cause, the Corporation shall have no Directors in office, then an officer or any shareholder or an executor, administrator, trustee, or guardian of a shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders to fill such vacancies or may apply to the Court of Chancery for a decree summarily ordering an election.

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(c) If the Directors of the Corporation constitute less than a majority of the whole Board, the Court of Chancery may, upon application of any shareholder or shareholders holding at least ten percent of the total number of shares entitled to vote for Directors, order an election to be held to fill any such vacancies or newly created directorships.

(d) Unless otherwise provided for by statute, the Certificate of Incorporation or these Bylaws, when one or more Directors shall resign from the board and such resignation is effective at a future date, a majority of the Directors, then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote otherwise to take effect when such resignation or resignations shall become effective.

Section 9 - Resignation:

The shareholders may, at any meeting, vote to accept the resignation of any Director.

Section 10 - Removal: (Section 141)

One or more or all the Directors of the Corporation may be removed with or without cause at any time by the shareholders, at a special meeting of the shareholders called for that purpose, unless the Certificate of Incorporation provides that Directors may only be removed for cause, provided however, such Director shall not be removed if the Corporation states in its Certificate of Incorporation that its Directors shall be elected by cumulative voting and there are a sufficient number of shares cast against his or her removal, which if cumulatively voted at an election of Directors would be sufficient to elect him or her. If a Director was elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove that Director.

Section 11 - Compensation: (Section 141)

The Board of Directors may authorize and establish reasonable compensation of the Directors for services to the Corporation as Directors, including, but not limited to attendance at any annual or special meeting of the Board.

Section 12 - Committees: (Section 141)

The Board of Directors, by resolution adopted by a majority of the entire Board, may from time to time designate from among its members one or more committees, and alternate members thereof, as they deem desirable, each consisting of one or more members, with such powers and authority (to the extent permitted by law and these Bylaws) as may be provided in such resolution. Each such committee shall serve at the pleasure of the Board and, unless otherwise stated by law, the Certificate of Incorporation of the Corporation or these Bylaws, shall be governed by the rules and regulations stated herein regarding the Board of Directors.

CONFIDENTIAL

ARTICLE IV - OFFICERS

Section 1 - Number, Qualifications, Election and Term of Office: (Section 142)

(a) The Corporation's officers shall have such titles and duties as shall be stated in these Bylaws or in a resolution of the Board of Directors which is not inconsistent with these Bylaws. The officers of the Corporation shall consist of an officer whose duty is to record proceedings of shareholders' and Directors' meetings and such other officers as the Board of Directors may from time to time deem advisable. Any officer other than the Chairman of the Board of Directors may be, but is not required to be, a Director of the Corporation. Any two or more offices may be held by the same person.

(b) The officers of the Corporation shall be elected by the Board of Directors at the regular annual meeting of the Board following the annual meeting of shareholders.

(c) Each officer shall hold office until the annual meeting of the Board of Directors next succeeding his election, and until his successor shall have been duly elected and qualified, subject to earlier termination by his or her death, resignation or removal.

Section 2 - Resignation: (Section 142)

Any officer may resign at any time by giving written notice of such resignation to the Corporation.

Section 3 - Removal: (Section 142)

Any officer elected by the Board of Directors may be removed, either with or without cause, and a successor elected by the Board at any time, and any officer or assistant officer, if appointed by another officer, may likewise be removed by such officer.

Section 4 - Vacancies: (Section 142)

(a) A vacancy, however caused, occurring in the Board and any newly created Directorships resulting from an increase in the authorized number of Directors may be filled by the Board of Directors.

Section 5 - Bonds: (Section 142)

The Corporation may require any or all of its officers or Agents to post a bond, or otherwise, to the Corporation for the faithful performance of their positions or duties.

Section 6 - Compensation:

The compensation of the officers of the Corporation shall be fixed from time to time by the Board of Directors.

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ARTICLE V - SHARES OF STOCK

Section 1 - Certificate of Stock:

- (a) The shares of the Corporation shall be represented by certificates or shall be uncertificated shares.
- (b) Certificated shares of the Corporation shall be signed, (either manually or by facsimile), by the Chairperson, Vice-Chairperson, President or Vice-President and Secretary or an Assistant Secretary or the Treasurer or Assistant Treasurer, or any other Officer designated by the Board of Directors, certifying that the number of shares owned by him or her in the Corporation, provided however that where such certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the Corporation and a registrar, any such signature may be a facsimile thereof. In case any officer who has signed or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue.
- (c) Certificates shall be issued in such form not inconsistent with the Certificate of Incorporation and as shall be approved by the Board of Directors. Such certificates shall be numbered and registered on the books of the Corporation, in the order in which they were issued.
- (d) Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Section 2 - Lost or Destroyed Certificates:

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed if the owner:

- (a) so requests before the Corporation and has given notice that the shares have been acquired by a bona fide purchaser,
- (b) files with the Corporation a sufficient indemnity bond; and
- (c) satisfies such other requirements, including evidence of such loss, theft or destruction, as may be imposed by the Corporation.

Section 3 - Transfers of Shares: (Section 201)

- (a) Transfers or registration of transfers of shares of the Corporation shall be made on the stock transfer books of the Corporation by the registered holder thereof, or by his attorney duly authorized by a written power of attorney; and in the case of shares represented by certificates, only after the surrender to the Corporation of the certificates representing such shares with such shares properly endorsed, with such evidence of the authenticity of such endorsement, transfer, authorization and other matters as the Corporation may reasonably require, and the payment of all stock transfer taxes due thereon.
- (b) The Corporation shall be entitled to treat the holder of record of any share or shares as the

absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any legal, equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 4 - Record Date: (Section 213)

(a) The Board of Directors may fix, in advance, which shall not be more than sixty, nor less than ten days before the meeting or action requiring a determination of shareholders, as the record date for the determination of shareholders entitled to receive notice of, or to vote at, any meeting of shareholders, or to consent to any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividends, or allotment of any rights, or for the purpose of any other action. If no record date is fixed, the record date for a shareholder entitled to notice of meeting shall be at the close of business on the day preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held, or if notice is waived, at the close of business on the day before the day on which the meeting is held.

(b) The Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted for shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights of shareholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, provided that such record date shall not be more than sixty days before such action.

(c) The Board of Directors may fix, in advance, a date which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date is fixed and no prior action is required by the Board, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery by hand or by certified or registered mail, return receipt requested, to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of shareholders are recorded. If no record date is fixed by the Board of Directors and prior action is required by law, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(d) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

ARTICLE VI - DIVIDENDS (Section 173)

Subject to applicable law, dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board of Directors may determine.

ARTICLE VII - FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to change by the Board of Directors from time to time, subject to applicable law.

ARTICLE VIII - CORPORATE SEAL [Section 607.0302(2)]

The corporate seal, if any, shall be in such form as shall be prescribed and altered, from time to time, by the Board of Directors.

ARTICLE IX - AMENDMENTS

Section 1 - Initial Bylaws:

The initial Bylaws of the Corporation shall be adopted by the Board of Directors at its organizational meeting.

Section 2 - By Shareholders:

All By-Laws of the Corporation shall be subject to alteration or repeal, and new By-Laws may be made, by a majority vote of the shareholders at the time entitled to vote in the election of Directors even though these Bylaws may also be altered, amended or repealed by the Board of Directors.

Section 3 - By Directors:

The Board of Directors shall have power to make, adopt, alter, amend and repeal, from time to time, By-Laws of the Corporation; however, Bylaws made by the Board may be altered or repealed, and new Bylaws made by the shareholders.

ARTICLE X - WAIVER OF NOTICE: (Section 229)

Whenever any notice is required to be given by law, the Certificate of Incorporation or these Bylaws, the meeting of shareholders, Board of Directors, or committee thereof, or attendance at the meeting by any person, shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of shareholders, Directors or committee thereof needs to be specified in any written waiver of notice.

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ARTICLE XI - INTERESTED DIRECTORS: (Section 144)

No contract or transaction shall be void or voidable if such contract or transaction is between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers, are Directors or Officers, or have a financial interest, when such Director or officer is present at or participates in the meeting of the Board or committee which authorizes the contract or transaction or his, her or their votes are counted for such purpose, if:

(a) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum; or

(b) the material facts as to his, her or their relationship or relationships or interest or interests and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee or the shareholders.

Such interested Directors may be counted when determining the presence of a quorum at the Board of Directors or committee meeting authorizing the contract or transaction.

ARTICLE XII - FORM OF RECORDS: (Section 224)

Any records maintained by the Corporation in its regular course of business, including, but not limited to, its stock ledger, books of account and minute book, may be kept on, or be in the form of punch cards, magnetic tape, photographs, micro-photographs or any other information storage device, provided that the records so kept may be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any of such records so kept upon the request of any person entitled to inspect the same.

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PAGE 1

State of Delaware
Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CENCO REFINING COMPANY" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SECOND DAY OF JUNE, A.D. 1998.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



A handwritten signature in dark ink, appearing to read "Edward J. Freel", is written over a horizontal line.

CONFIDENTIAL

Edward J. Freel, Secretary of State

2903363 8300

981211124

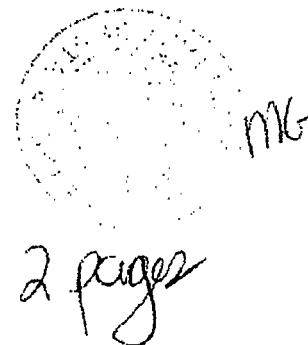
AUTHENTICATION: 9114634

DATE: 06-02-98

2117585

State of California

SECRETARY OF STATE



I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this



A handwritten signature in cursive script that reads "Bill Jones".

Secretary of State

CONFIDENTIAL

2117585

STATEMENT AND DESIGNATION
BY
FOREIGN CORPORATION

AUG 17 1999

CENCO Refining Company

(Name of Corporation)

, a corporation organized

and existing under the laws of Delaware makes the following
(State or Place of Incorporation)
statements and designation:

1. The address of its principal executive office is 1000 Regent University Drive, Virginia Beach, VA 23464

(Insert complete address of principal executive office wherever located.)

DO NOT USE POST OFFICE BOX

2. The address of its principal office in the State of California is 12345 Lakeland Road Santa Fe Springs, California 90670

(Insert complete address of principal office in California.)

DO NOT USE POST OFFICE BOX

DESIGNATION OF AGENT FOR SERVICE OF PROCESS IN THE STATE OF CALIFORNIA

3. (Use this paragraph if the process agent is a natural person.)

a natural person residing in the State of California, whose complete address is

DO NOT USE POST OFFICE BOX

is designated as its agent upon whom process directed to the undersigned corporation may be served within the State of California in the manner provided by law.

4. (Use this paragraph if the process agent is a corporation.)

C T CORPORATION SYSTEM

, a corporation organized

and existing under the laws of DELAWARE is designated as agent upon whom process directed to the undersigned corporation may be served within the State of California, in the manner provided by law.

NOTE: Before a corporation may be designated by any other corporation as an agent for service of process, a corporate agent must have complied with Section 1505, California Corporations Code.

5. The undersigned corporation hereby irrevocably consents to service of process directed to it upon the agent designated above, and to service of process on the Secretary of State of the State of California if the agent so designated or the agent's successor is no longer authorized to act or cannot be found at the address given.

CENCO Refining Company

(Name of Corporation)

Marshall Staunton

(Signature of Corporate Officer)

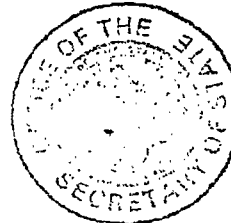
Marshall Staunton, Secretary

(Typed Name and Title of Officer Signing)

Page 2 of 2

Secretary of State Form
SDDG

(CALIF. - 1934)

**CONFIDENTIAL**

TOTAL P. 04

FINANCIAL STATEMENTS
CENCO REFINING COMPANY

DECEMBER 31, 1998

DRAFT

Prepared by:
Date Prepared:

A. Aguilera
02/12/99

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CENCO REFINING COMPANY
BALANCE SHEET
DECEMBER 31, 1998

(\$ thousands)

DRAFT

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ASSETS:

Current Assets:

Cash	\$ 313
Inventories	298
Prepaid Expenses and Other assets	<u>552</u>
Total Current Assets	1,163

Plant, Property & Equipment

63,004

Other Assets

1,523

Total Assets

\$ 65,690

LIABILITIES AND CAPITAL:

Current Liabilities:

Accounts Payable	\$ 5,095
Accounts Payable-Huntington Pipeline & Terminal for Edginton (#4) Pipeline	237
for Franchise	79
for Other	23
Accrued Liabilities	4,742
Due to Parent - Cenco Inc.	13,464
Note Payable to Huntington Pipeline & Terminal	<u>3,130</u>
Total Current Liabilities	26,770

Long Term Liabilities:

Other Noncurrent Liabilities	<u>22,150</u>
Total Long Term Liabilities	22,150

Total Liabilities

48,920

Stockholder's equity:

Common Stock	200
Additional Paid-in Capital	19,800
Retained Earnings	<u>(3,230)</u>
Total stockholder's equity	16,770

Total Liabilities and Stockholder's Equity

\$ 65,690

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**CENCO REFINING COMPANY
INCOME STATEMENT
DECEMBER 31, 1998
(\$thousands)**

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	<u>YTD 1998</u>
Revenues:	
Refining	0
Processing	0
Total	<u>0</u>
Operating expenses:	
Refining:	
Costs of materials sold	0
Operating Costs	1,411
Selling, general & admin.	1,744
Other expense (income):	
Interest	187
Other income	(112)
Income before provision for income taxes	(3,230)
Provision for income taxes	0
Net income	<u><u>(3,230)</u></u>

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POWERINE OIL COMPANY
JUDGMENTS
As of February 18, 1999

Vendor	Judgment Date	Judgment Amount					Total	Notes
		Judgment Principal	Judgment Interest	Added Interest	Attorneys Fees	Court Costs		
Bragg Investment Co.	12/23/97	99,337.97		5,649.40		7.00	115,354.37	+ Int \$30.05/day (+188 days) 12/24/97-6/30/98
Castle Energy Corporation	09/17/98						387,237.34	
Concrete Coring	03/12/98	155.59				90.00	245.59	
Cool Transports, Incorporated	(10/7/98)	25,000.00	4,499.97			267.50	29,767.47	(Judgment Not Signed by Court Clerk)
Demetriou, Del Guercio, Springer & Moyer	10/31/97	377,139.92					377,139.92	
Ethyl Petroleum Additives Inc.	10/21/98	36,617.87	6,865.13			242.00	43,725.00	(Judgment Not Signed by Court Clerk)
Fisher Scientific Company	07/28/98	13,639.81	239.16			7.00	13,885.97	+ 3.737 (daily interest 10% from date of writ)
GEA Rainey Corporation	05/05/98	33,444.06	(1)		3,500.00		36,944.06	+ Interest & Costs
GEA Rainey Corporation	08/27/98						40,727.47	(Sister-State Judgement)
M & N Valve Corporation	08/25/98	17,002.42	12,018.00		660.00	111.00	29,791.42	
MGM, Inc.	01/29/98	33,418.50	4,284.89		5,000.00	217.00	42,920.39	(Signed by Arbitrator but not by Clerk of the Court)
Orange County Wholesale	10/15/97	3,323.92				40.00	3,363.92	
Petro-Chemical Insulation, Inc.	02/19/98	135,043.95	2,410.02			10,285.76	147,739.73	
Space Leasing Company	11/21/97	12,555.81			1,230.00	549.50	14,335.31	
Rain For Rent	(07/29/98)	45,811.70	12,854.34		1,764.33	214.00	60,644.37	(Judgment Not Signed by Court Clerk)
Williams Communications	(06/30/98)	17,949.89	1,469.10		1,447.49	136.00	21,002.48	(Judgment Not Signed by Court Clerk)

(1) Interest 1.5% per month from April 30, 1997 until date of judgment and interest from date of judgment until paid in full at the rate of 9.22% per annum

CONFIDENTIAL

POWERINE OIL COMPANY
MECHANICS LIENS
As of February 18, 1999

Firm	Services Rendered	Date Recorded/ Filed	Recorded As	Stated \$ Amount	Original A/P Amount	Amount Paid	Current A/P Amt
BDC-Falcon Special Waste Services	Hazardous and non-hazardous waste hauling	07/31/97	97 1169213	2,035.34	980.00	-	980.00
Electro Industries	Provided labor and materials for automatic power transfer scheme at Central Sub, Heavy Oil.	06/21/95	95 986100	33,726.00	72,545.00	72,545.00	5,000.00
		Filed suit as VC019703 - Paid in Full - Electro refused to release without additional payment of \$7,981.00					
Lang Roofing, Inc. 5901 Clara Street Bell Gardens, CA 90202	General roof repair and maintenance	7/23/97	97-1112070	1,855.00	1,855.00	-	1,855.00
Orestes Pena Trucking, Inc. 11253 Vinedale Street Sun Valley, CA 91352	Labor, Hauling, Trucking Services & demolition excavation	7/3/97	97 999523	145,723.73	0.00	0.00	0.00
		Agreement with Aman to pay Orestes Pena Trucking and obtain recording release					
Paramount Ready Mix Concrete, Inc. Post Office Box 2823 Santa Fe Springs, CA 90670	Pipeline project on POC easement of Market Avenue, Long Beach, CA	11/5/96	96 1796421	21,888.68	0.00	0.00	0.00
		Agreement with SOS Engineering to pay Paramount and obtain recording release					
Petrochem Insulation, Inc. 19301 S. Santa Fe Ave., #117 Rancho Dominguez, CA 90221	Thermal insulation for piping, equipment, and labor to install	5/12/95	95 771102	242,850.05	199,098.05	100,544.53	125,815.08
		Lawsuit filed as L008041 on January 17, 1997 - A foreclosure with mechanic's lien was not filed					
Tank & Refinery Services Co.	Provided labor, equipment & materials to erect a 50,000 barrel diesel fuel storage tank including foundation & coatings.	06/29/95	95 1041506	169,759.26	192,896.84	135,606.48	52,082.15
		A foreclosure on the Mechanics Lien was not filed within 90 days					

CONFIDENTIAL

POWERINE OIL COMPANY

OTHER LIENS

As of February 18, 1999

Year/ Account No.	Situs or Location	Date Filed	Date Received	LA County Recording #	Amount Filed
1996 UNSECURED PROPERTY TAXES					
96/40782165	Pipelines	10/14/97	1/5/98	97-1590953	\$ 1,038.23
96/40782166	Pumps at Thums	10/14/97	1/5/98	97-1590954	55.63
96/40782167	Booster Station	10/14/97	1/5/98	97-1590955	111.27
96/40782168	Carson City Pump	10/14/97	1/5/98	97-1590956	111.65
96/40782169	Bellflower Pump	10/14/97	1/5/98	97-1590957	111.27
96/40782170	Channel 2 Terminal	10/14/97	1/5/98	97-1590958	1,112.83
96/40782171	Pipelines	10/14/97	1/5/98	97-1590959	219.67
96/40782172	Pipelines	10/14/97	1/5/98	97-1590960	320.13
96/40782196	Transfer Pump	10/14/97	1/5/98	97-1590961	1,112.83
96/40782197	1901 Sycamore St	10/14/97	1/5/98	97-1590962	556.41
96/40782173	Pipelines	10/14/97	1/5/98	97-1590963	24.78
96/40782174	Pipelines	10/14/97	1/5/98	97-1590964	136.54
96/40782175	Pipelines	10/14/97	1/5/98	97-1590965	109.10
96/40782176	Pipelines	10/14/97	1/5/98	97-1590966	88.57
96/40782177	Pipelines	10/14/97	1/5/98	97-1590967	89.87
96/40782178	Pipelines	10/14/97	1/5/98	97-1590968	131.04
96/40782179	Pipelines	10/14/97	1/5/98	97-1590969	106.42
96/40782180	Pipelines	10/14/97	1/5/98	97-1590970	72.23
96/40782181	Pipelines	10/14/97	1/5/98	97-1590971	439.12
96/40782182	Pipelines	10/14/97	1/5/98	97-1590972	29.01
96/40782183	Pipelines	10/14/97	1/5/98	97-1590973	23.58
96/40782184	Pipelines	10/14/97	1/5/98	97-1590974	206.22
96/40782185	Pipelines	10/14/97	1/5/98	97-1590975	178.23
96/40782186	Pipelines	10/14/97	1/5/98	97-1590978	142.79
96/40782187	Pipelines	10/14/97	1/5/98	97-1590979	42.91
96/40782188	Pipelines	10/14/97	1/5/98	97-1590980	99.57
96/40782189	Powerlines	10/14/97	1/5/98	97-1590981	458.30
96/40782190	Pipelines	10/14/97	1/5/98	97-1590982	72.61
96/40782191	Pipelines	10/14/97	1/5/98	97-1590983	39.29
96/40782192	Pipelines	10/14/97	1/5/98	97-1590984	60.46
96/40782193	Pipelines	10/14/97	1/5/98	97-1590985	76.23
96/40782194	Pipelines	10/14/97	1/5/98	97-1590986	187.79
96/40782195	Pipelines	10/14/97	1/5/98	97-1590987	31.93
Subtotal:					7,596.51
1997 UNSECURED PROPERTY TAXES					
97/40786174	Pipelines	10/13/98	2/11/99	98-1858901	60.39
97/40786177	Pipelines	10/13/98	2/11/99	98-1858903	31.95
97/40786152	Channel 2 Terminal	10/13/98	2/11/99	98-1858926	1,113.73
97/40786154	Pipelines	10/13/98	2/11/99	98-1858928	320.39
97/40786179	191 Sycamore St.	10/13/98	2/11/99	98-1858930	556.86
97/40786156	Pipelines	10/13/98	2/11/99	98-1858932	137.55
97/40786158	Pipelines	10/13/98	2/11/99	98-1858934	89.22
97/40786160	Pipelines	10/13/98	2/11/99	98-1858936	131.15
97/40786162	Pipelines	10/13/98	2/11/99	98-1858938	72.30
97/40786164	Pipelines	10/13/98	2/11/99	98-1858940	29.04
97/40786166	Pipelines	10/13/98	2/11/99	98-1858942	206.39
97/40786168	Pipelines	10/13/98	2/11/99	98-1858944	142.91
97/40786170	Pipelines	10/13/98	2/11/99	98-1858946	99.64
97/40786172	Pipelines	10/13/98	2/11/99	98-1858948	72.66
97/40786173	Pipelines	10/13/98	2/11/99	98-1858949	39.32
97/40786147	Pipelines	10/13/98	2/11/99	98-1858971	1,039.07
97/40786149	Booster Station	10/13/98	2/11/99	98-1858973	111.36
Subtotal:					4,253.93

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2/18/99 OtherIns

POWERINE OIL COMPANY

OTHER LIENS

As of February 18, 1999

Year/ Account No.	Situs or Location	Date Filed	Date Received	LA County Recording #	Amount Filed
OTHER LIENS					
94/CL MT 051000011	State Board of Equal.	1/16/98	1/20/98	9802161144	270,106.97
N/A	Space Leasing Co	1/12/98	1/28/98	98-52232	14,335.31
N/A	Petro-Chem Insulation	3/2/98	3/19/98	98-331610	135,043.95
N/A	Kenneth Greene	3/26/98	4/15/98	98-500711	18,588.36
N/A	Attorney Recovery Sys	5/8/98	6/2/98	98-800850	9,123.72
96/49956495	LA County Tax Cltr	3/9/98	6/12/98	98 378159	571.82
96/40150981	LA County Tax Cltr	3/9/98	6/12/98	98 378158	384.79
N/A	Ex. 6 Personal Privacy	Not Filed Yet	6/15/98	Not Filed Yet	21,225.02
N/A	Randall W. Wenker	6/30/98	7/20/98	98-1108341	21,225.02
N/A	Kenyon Projects Ltd	7/8/98	8/7/98	98-1153926	3,000,000.00
N/A	M & N Valve Corp	7/23/98	8/6/98	98 1257929	29,791.42
N/A	M & N Valve Corp	9/8/98	9/16/98	98 1604417	29,791.42
				Subtotal:	3,550,187.80
				Grand Total:	\$ 3,562,038.24

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2/18/99 OtherIns

SCHEDULE A

1. COMMITMENT DATE: OCTOBER 2, 1998
AT 7:30 A.M. COMMITMENT NO. 9837042-40
YOUR REF. NO.: CENCO
2. POLICY OR POLICIES TO BE ISSUED: POLICY AMOUNT
TO BE DETERMINED \$TO BE DETERMINED
PROPOSED INSURED:
TO BE DETERMINED
3. A. THE ESTATE OR INTEREST IN THE LAND DESCRIBED IN THIS COMMITMENT IS:
A FEE
B. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:
CENCO REFINING CO., A DELAWARE CORPORATION
4. THE LAND REFERRED TO IN THIS COMMITMENT IS IN THE STATE OF CALIFORNIA, COUNTY
OF LOS ANGELES, AND IS DESCRIBED AS FOLLOWS:
PARCEL A:
THE EAST ONE-HALF OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF
SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST, IN THE RANCHO SANTA GERTRUDES,
IN THE CITY OF SANTA FE SPRINGS, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF
MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY:
EXCEPT THEREFROM THE NORTH 20 FEET.
ALSO EXCEPT THEREFROM THAT PORTION OF THE SOUTHWEST QUARTER OF THE
SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST, RANCHO
SANTA GERTRUDES, IN THE CITY OF SANTA FE SPRINGS, DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHWEST CORNER OF THE EAST 20 ACRES OF THE SOUTHWEST
QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 6; THENCE EAST ALONG THE
NORTH LINE THEREOF 190 FEET; THENCE SOUTH, PARALLEL WITH THE WEST LINE OF SAID
EAST 20 ACRES, 249.26 FEET; THENCE WEST, PARALLEL WITH SAID NORTH LINE 190 FEET
TO SAID WEST LINE; THENCE NORTH ALONG SAID WEST LINE 249.26 FEET TO THE POINT
OF BEGINNING.
ALSO EXCEPT THEREFROM THE EASTERLY 402 FEET OF THE NORTHERLY 539 FEET OF
THAT PORTION OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF
SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST, IN THE RANCHO SANTA GERTRUDES,
CITY OF SANTA FE SPRINGS, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF
MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY,

LYING SOUTHERLY OF THE SOUTHERLY LINE, LITTLE LAKE ROAD, 40 FEET WIDE, NOW FLORENCE AVENUE.

ALSO EXCEPT THEREFROM ALL OIL, GAS, ASPHALTUM AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND, AS RESERVED IN BOOK 14704 PAGE 18, BOOK 16835 PAGE 218, BOOK 16971 PAGE 28, BOOK 17027 PAGE 44, BOOK 17380 PAGE 205, BOOK 17449 PAGE 89, BOOK 19679 PAGE 391, BOOK 21147 PAGE 182, BOOK 21499 PAGE 87 AND BOOK 22486 PAGE 147 OFFICIAL RECORDS. .

PARCEL B:

THAT PORTION OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST, RANCHO SANTA GERTRUDES, IN THE CITY OF SANTA FE SPRINGS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE EAST 20 ACRES OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 6; THENCE EAST ALONG THE NORTH LINE THEREOF 190 FEET; THENCE SOUTH, PARALLEL WITH THE WEST LINE OF SAID EAST 20 ACRES, 249.26 FEET; THENCE WEST, PARALLEL WITH SAID NORTH LINE 190 FEET TO SAID WEST LINE; THENCE NORTH ALONG SAID WEST LINE 249.26 FEET TO THE POINT OF BEGINNING.

EXCEPT THEREFROM THAT PORTION THEREOF LYING WITHIN LITTLE LAKE ROAD ON THE NORTH.

ALSO EXCEPT THEREFROM ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND BELOW 500 FEET FROM THE SURFACE OF SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY OR THE USE THEREOF, AS RESERVED IN THE DEED FROM UNITED OIL WELL SUPPLY COMPANY, A CORPORATION, RECORDED SEPTEMBER 19, 1961 AS INSTRUMENT NO. 1698 IN BOOK D1359 PAGE 415, OFFICIAL RECORDS.

PARCEL C:

THE EASTERLY 402 FEET OF THE NORTHERLY 539 FEET OF THAT PORTION OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST, IN THE RANCHO SANTA GERTRUDES, CITY OF SANTA FE SPRINGS, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE SOUTHERLY LINE, LITTLE LAKE ROAD, 40 FEET WIDE, NOW FLORENCE AVENUE.

EXCEPT THEREFROM A 7/108 INTEREST IN THE ABOVE DESCRIBED LAND AS GRANTOR INTEREST MAY APPEAR ALL OILS, GAS MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT RIGHT OF ENTRY TO THE SURFACE OF SAID LAND ABOVE A PLANE OF 500 FEET BELOW THE SURFACE THEREOF, AS RESERVED BY EVERT F. JOHNSON, IN THE DEED DATED AUGUST 11, 1965 AND RECORDED OCTOBER 1, 1965 AS INSTRUMENT NO. 724 IN BOOK D3067 PAGE 149, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM A 44/90 INTEREST IN THE ABOVE DESCRIBED LAND AS GRANTOR INTEREST MAY APPEAR, ALL OIL, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT RIGHT OF ENTRY TO THE SURFACE OF SAID LAND ABOVE A PLANE OF 500 FEET BELOW THE

SURFACE THEREOF, AS RESERVED BY MARGUERITE B. JOHNSON, IN THE DEED DATED AUGUST 11, 1965 AND RECORDED OCTOBER 1, 1965 AS INSTRUMENT NO. 721 IN BOOK D3067 PAGE 146, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM A 7/108 INTEREST IN THE ABOVE DESCRIBED LAND AS GRANTOR INTEREST MAY APPEAR, ALL OILS, GAS MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT RIGHT OF ENTRY TO THE SURFACE OF SAID LAND ABOVE A PLANE OF 500 FEET BELOW THE SURFACE THEREOF, AS RESERVED BY VERA M. COWAN, IN THE DEED DATED AUGUST 11, 1965 AND RECORDED OCTOBER 1, 1965 AS INSTRUMENT NO. 722 IN BOOK D3067 PAGE 147, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM A 7/108 INTEREST IN THE ABOVE DESCRIBED LAND AS GRANTOR INTEREST MAY APPEAR, ALL OILS, GAS MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT RIGHT OF ENTRY TO THE SURFACE OF SAID LAND ABOVE A PLANE OF 500 FEET BELOW THE SURFACE THEREOF, AS RESERVED BY HAZEL B. YALE, IN THE DEED DATED AUGUST 11, 1965 AND RECORDED OCTOBER 1, 1965 AS INSTRUMENT NO. 723 IN BOOK D3067 PAGE 148, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM A 7/108 INTEREST IN THE ABOVE DESCRIBED LAND AS GRANTOR INTEREST MAY APPEAR, ALL OILS, GAS MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT RIGHT OF ENTRY TO THE SURFACE OF SAID LAND ABOVE A PLANE OF 500 FEET BELOW THE SURFACE THEREOF, AS RESERVED BY ROBERT D. JOHNSON, IN THE DEED DATED AUGUST 11, 1965 AND RECORDED OCTOBER 1, 1965 AS INSTRUMENT NO. 720 IN BOOK D3067 PAGE 145, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM A 7/108 INTEREST IN THE ABOVE DESCRIBED LAND AS GRANTOR INTEREST MAY APPEAR, ALL OILS, GAS MINERALS AND OTHER HYDROCARBON SUBSTANCES LYING 500 FEET BELOW THE SURFACE OF SAID LAND, BUT WITHOUT RIGHT OF ENTRY TO THE SURFACE OF SAID LAND ABOVE A PLANE OF 500 FEET BELOW THE SURFACE THEREOF, AS RESERVED BY HARRY G. JOHNSON, IN THE DEED DATED AUGUST 11, 1965 AND RECORDED OCTOBER 1, 1965 AS INSTRUMENT NO. 727 IN BOOK D3067 PAGE 154, OFFICIAL RECORDS.

PARCEL D:

THE WEST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, IN THE TOWNSHIP 3 SOUTH, RANGE 11 WEST, AS SHOWN UPON A MAP OF THE SOUTHWESTERN PORTION OF THE RANCHO SANTA GERTRUDES, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THE NORTH 20 FEET THEREOF DEEDED TO THE COUNTY OF LOS ANGELES FOR ROAD PURPOSES.

ALSO EXCEPT THEREFROM ONE-HALF OF ALL OILS, GAS, MINERALS AND OTHER HYDROCARBON SUBSTANCES THAT MAY BE PRODUCED UPON OR FROM SAID PROPERTY, AND THE OIL, RENTS AND ROYALTIES RECEIVED THEREFROM, AS RESERVED IN THE DEED FROM DAVID STEWART PATTERSON, ET UX., FILED SEPTEMBER 14, 1922 AS TORRENS DOCUMENT NO. 28717 AND RECORDED IN BOOK 1448 PAGE 162, OFFICIAL RECORDS.

PARCEL E:

THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST OF THE RANCHO SANTA GERTRUDES, SUBDIVIDED FOR THE SANTA GERTRUDES LAND ASSOCIATION, IN THE CITY OF SANTA FE SPRINGS, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF MISCELLANEOUS RECORDS.

EXCEPT THEREFROM THE NORTHERLY 320.00 FEET THEREOF.

ALSO EXCEPT THEREFROM THE EASTERLY 230.00 FEET OF THE NORTHERLY 420.00 FEET THEREOF.

ALSO EXCEPT THEREFROM THE EASTERLY 230.00 FEET OF THE NORTHERLY 100.00 FEET OF THE SOUTHERLY 630.00 FEET THEREOF.

ALSO EXCEPT THEREFROM THE EASTERLY 30.00 FEET AND THE SOUTHERLY 30.00 FEET THEREOF TO BE USED FOR ROAD PURPOSES.

ALSO EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBONS SUBSTANCES AND OTHER MINERALS, LOCATED ON, IN OR UNDER, OR WHICH MAY BE PRODUCED FROM, SAID PROPERTY BELOW A VERTICAL DEPTH OF 250 FEET BELOW THE SURFACE THEREOF, TOGETHER WITH THE RIGHT TO DEVELOP, PRODUCE, DRILL FOR, EXTRACT AND REMOVE THE SAME, ONLY BELOW A VERTICAL DEPTH OF 250 FEET BELOW THE SURFACE THEREOF, BUT WITHOUT RIGHTS OF ENTRY, UPON OR THROUGH AND RIGHTS TO USE OR OCCUPY, FOR ANY PURPOSE WHATSOEVER, THE SURFACE OF OR THAT PORTION OF THE SUBSURFACE LYING 250 FEET VERTICALLY IN DEPTH BELOW THE SURFACE THEREOF, AS RESERVED IN THE DEED FROM E.J.B. LAND COMPANY, A CORPORATION, AND LEONA THELMA MYER, RECORDED AUGUST 13, 1963 AS INSTRUMENT NO. 928 IN BOOK D2142 PAGE 433, OFFICIAL RECORDS.

PARCEL F:

THE WESTERLY 200.00 FEET OF THE EASTERLY 230.00 FEET OF THE NORTHERLY 100.00 FEET OF THE SOUTHERLY 630.00 FEET OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST, OF THE RANCHO SANTA GERTRUDES, IN THE CITY OF SANTA FE SPRINGS, AS SHOWN ON MAP RECORDED IN BOOK 1 PAGE 502 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL G:

THE NORTH 320 FEET AND THE SOUTH 100 FEET OF THE NORTH 420 FEET OF THE EAST 230 FEET OF THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 3 SOUTH, RANGE 11 WEST OF THE RANCHO SANTA GERTRUDES, IN THE CITY OF SANTA FE SPRINGS, AS PER MAP RECORDED IN BOOK 1 PAGE 502 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND, AS EXCEPTED AND RESERVED BY E. J. B. LAND COMPANY, A CORPORATION, AND LEONA THELMA MYER, IN DEEDS RECORDED NOVEMBER 12, 1973 AS INSTRUMENT NOS. 990 AND 991.

PARCEL H:

THAT PORTION OF THE SOUTH HALF OF THE SOUTHWEST QUARTER OF SECTION 5, TOWNSHIP 3 SOUTH, RANGE 11 WEST, IN RANCHO SANTA GERTRUDES, IN THE CITY OF SANTA FE SPRINGS, LYING WESTERLY OF ATCHISON, TOPEKA AND SANTA FE RAILROAD RIGHT OF WAY.

EXCEPT THEREFROM THOSE PORTIONS INCLUDED WITHIN THE LINES OF THE LAND DESCRIBED IN PARCELS 46-26B AND 46-28 IN THE FINAL ORDER OF CONDEMNATION ENTERED IN LOS ANGELES COUNTY SUPERIOR COURT CASE NO. C-227794, A CERTIFIED COPY OF WHICH WAS RECORDED ON MAY 19, 1980 AS INSTRUMENT NO. 80-496899 OF SAID COUNTY.

ALSO EXCEPT THEREFROM THE INTEREST OF THOSE PORTION INCLUDED WITHIN THE LINES OF THE LAND DESCRIBED IN PARCELS 46-26A AND 46-27, IN THE DEED TO THE COUNTY OF LOS ANGELES, RECORDED ON JUNE 12, 1978 AS DOCUMENT NO.78-631570, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO EXCEPT THEREFROM ALL OIL, MINERALS AND MINERAL RIGHTS, MINERALS, ORES AND METALS AND OTHER USEFUL AND VALUABLE MINERAL DEPOSITS OF EVERY KIND, CHARACTER AND DESCRIPTION, INCLUDING IN PART ASPHALT, TAR, GAS, OIL, PETROLEUM AND OTHER HYDROCARBONS THAT MAY BE OR HEREAFTER BE FOUND, DEPOSITED, CONTAINED OR DEVELOPED IN, UPON, FROM OR UNDER OR THAT MAY BE MINED, EXTRACTED, PUMPED OR WITHDRAWN IN ANYWISE IN, UPON, FROM OR UNDER ALL OR ANY PART OF SAID LAND, AS EXCEPTED AND RESERVED BY JULIA M. BAKER, A WIDOW, IN THE DEED RECORDED FEBRUARY 21, 1935 IN BOOK 13278 PAGE 172, OFFICIAL RECORDS, AND REGISTERED FEBRUARY 4, 1935 AS DOCUMENT NO. 1451-D.

SCHEDULE B - SECTION 1
REQUIREMENTS

THE FOLLOWING REQUIREMENTS MUST BE MET:

- (A) PAY THE AGREED AMOUNTS FOR THE INTEREST IN THE LAND AND/OR THE MORTGAGE TO BE INSURED.
- (B) PAY US THE PREMIUMS, FEES AND CHARGES FOR THE POLICY.
- (C) DOCUMENTS SATISFACTORY TO US CREATING THE INTEREST IN THE LAND AND/OR THE MORTGAGE TO BE INSURED MUST BE SIGNED, DELIVERED AND RECORDED.
- (D) YOU MUST TELL US IN WRITING THE NAME OF ANYONE NOT REFERRED TO IN THIS COMMITMENT WHO WILL GET AN INTEREST IN THE LAND OR WHO WILL MAKE A LOAN ON THE LAND. WE MAY THEN MAKE ADDITIONAL REQUIREMENTS OR EXCEPTIONS.
- (E) RELEASE(S) OR RECONVEYANCE(S) OF ITEM(S) #62 TO #107 (INCLUSIVE).
- (F) COPIES OF ALL DOCUMENTS TO RECORD FOR OUR REVIEW.
- (G) YOU MUST GIVE US THE FOLLOWING INFORMATION:
 - 1. THIS REPORT IS INCOMPLETE AS TO MATTERS WHICH MAY AFFECT THE TITLE TO, OR IMPOSE LIENS OR ENCUMBRANCES ON, SAID LAND, UNLESS ELIMINATED BY STATEMENT(S) OF IDENTITY
FROM: ALL PARTIES .
 - 2. THE REQUIREMENT THAT THIS COMPANY BE FURNISHED WITH THE BY-LAWS AND A RESOLUTION PURSUANT TO SAID BY-LAWS AUTHORIZING THE TRANSACTION CONTEMPLATED HEREIN,
FROM: ALL CORPORATIONS.

THE REQUIREMENT THAT THIS COMPANY BE FURNISHED WITH EVIDENCE THAT THE CORPORATION WAS DULY FORMED IN ITS HOME STATE, IS IN GOOD STANDING AND ITS RIGHT TO DO BUSINESS HAS NOT BEEN IMPAIRED OR SUSPENDED FOR ANY REASON.
 - 3. THE REQUIREMENT THAT A STATEMENT OF PARTNERSHIP OR CERTIFICATE OF LIMITED PARTNERSHIP, AS APPLICABLE, BE SUBMITTED FOR OUR EXAMINATION, APPROVAL AND RECORDATION,
FROM: ALL PARTNERSHIPS.

THE REQUIREMENT THAT THE COMPANY BE PROVIDED WITH A FULL AND COMPLETE COPY OF THE EXECUTED PARTNERSHIP AGREEMENT OF THE HEREIN NAMED PARTNERSHIP, TOGETHER WITH ANY AMENDMENTS OR MODIFICATIONS THERETO.
PARTNERSHIP: ALL PARTNERSHIPS
 - 4. RIGHTS OF PARTIES IN POSSESSION OF SAID LAND BY REASON OF ANY

UNRECORDED LEASES.

PLEASE SUBMIT ANY SUCH LEASES TO THIS COMPANY FOR OUR
EXAMINATION.

5. THE REQUIREMENT THAT THIS COMPANY BE PROVIDED WITH A CURRENT
ALTA/ASCM SURVEY WHEN EXTENDED COVERAGE IS REQUESTED.

SCHEDULE B - SECTION 2
EXCEPTIONS

ANY POLICY WE ISSUE WILL HAVE THE FOLLOWING EXCEPTIONS UNLESS THEY ARE TAKEN CARE OF TO OUR SATISFACTION. THE PRINTED EXCEPTIONS AND EXCLUSIONS FROM THE COVERAGE OF THE POLICY OR POLICIES ARE SET FORTH IN EXHIBIT A ATTACHED. COPIES OF THE POLICY FORMS SHOULD BE READ. THEY ARE AVAILABLE FROM THE OFFICE WHICH ISSUED THIS COMMITMENT.

1. GENERAL AND SPECIAL TAXES, A LIEN NOT YET PAYABLE, FOR THE FISCAL YEAR 1998-1999.

1A. AFFECTS PARCEL A:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$35,196.34.
FIRST INSTALLMENT: \$19,370.22.
SECOND INSTALLMENT: \$15,826.12.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-029.

- 1B. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE

FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$125,511.23.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-029.

1C. AFFECTS PARCEL B:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$1,386.95.
FIRST INSTALLMENT: \$693.48.
SECOND INSTALLMENT: \$693.47.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-017.

- 1D. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE

FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$3,848.39.
PRIOR TO: OCTOBER 31, 1998.

PARCEL NO: 8009-022-017.

1E. AFFECTS PORTION OF PARCEL C:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS
AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$6,892.25.
FIRST INSTALLMENT: \$3,446.13.
SECOND INSTALLMENT: \$3,446.12.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-030.

1F. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF
DELINQUENT TAXES FOR THE

FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$20,429.99.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-030.

1G. AFFECTS REMAINDER OF PARCEL C:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS
AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$7,744.76.
FIRST INSTALLMENT: \$3,872.38.
SECOND INSTALLMENT: \$3,872.38.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-031.

1H. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF
DELINQUENT TAXES FOR THE

FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$22,700.60.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-031.

1I. AFFECTS PORTION OF PARCEL D:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS
AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$117,056.82.
FIRST INSTALLMENT: \$74,476.87.
SECOND INSTALLMENT: \$42,579.95.
EXEMPTIONS,

(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5342.
PARCEL NO.: 8009-022-055.

- 1J. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE
FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$586,120.95.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-055.

- 1K. AFFECTS REMAINDER OF PARCEL D:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS AND/OR PERSONAL PROPERTY TAXES, IF ANY
FISCAL YEAR: 1998-1999.
TOTAL: \$23,747.13.
FIRST INSTALLMENT: \$11,873.57.
SECOND INSTALLMENT: \$11,873.56.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-056.

- 1L. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE
FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$68,937.03.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-056.

- 1M. AFFECTS PORTION OF PARCEL E:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS AND/OR PERSONAL PROPERTY TAXES, IF ANY
FISCAL YEAR: 1998-1999.
TOTAL: \$16,368.48.
FIRST INSTALLMENT: \$8,184.25.
SECOND INSTALLMENT: \$8,184.23.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-057.

- 1N. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE
FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$46,339.44.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-057.

1O. AFFECTS REMAINDER OF PARCEL E:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS
AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$10,434.38.
FIRST INSTALLMENT: \$5,217.20.
SECOND INSTALLMENT: \$5,217.18.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5342.
PARCEL NO.: 8009-022-058.

1P. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF
DELINQUENT TAXES FOR THE

FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$30,275.64.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-058.

1Q. AFFECTS PARCEL F:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS
AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$4,416.60.
FIRST INSTALLMENT: \$2,208.31.
SECOND INSTALLMENT: \$2,208.29.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8009-022-054.

1R. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF
DELINQUENT TAXES FOR THE

FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$13,916.45.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-054.

1S. AFFECTS PARCEL G:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS
AND/OR PERSONAL PROPERTY TAXES, IF ANY

FISCAL YEAR: 1998-1999.
TOTAL: \$6,334.92.
FIRST INSTALLMENT: \$3,167.46.
SECOND INSTALLMENT: \$3,167.46.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5342.

PARCEL NO.: 8009-022-053.

- 1T. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE
FISCAL YEAR: 1995-1996.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$17,089.49.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8009-022-053.

- 1U. AFFECTS PORTION OF PARCEL H:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS AND/OR PERSONAL PROPERTY TAXES, IF ANY
FISCAL YEAR: 1998-1999.
TOTAL: \$14,715.45.
FIRST INSTALLMENT: \$7,357.73.
SECOND INSTALLMENT: \$7,357.72.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5358.
PARCEL NO.: 8011-016-014.

- 1V. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE
FISCAL YEAR: 1996-1997.
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$36,103.53.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8011-016-014.

- 1W. AFFECTS REMAINDER OF PARCEL H:

GENERAL AND SPECIAL COUNTY AND/OR CITY TAXES, INCLUDING SPECIAL ASSESSMENTS AND/OR PERSONAL PROPERTY TAXES, IF ANY
FISCAL YEAR: 1998-1999.
TOTAL: \$14,716.53.
FIRST INSTALLMENT: \$7,358.27.
SECOND INSTALLMENT: \$7,358.26.
EXEMPTIONS,
(VETERANS OR HOMEOWNERS): \$NONE.
CODE NO.: 5332.
PARCEL NO.: 8011-016-015.

- 1X. SAID PROPERTY HAS BEEN DECLARED TAX DEFAULTED FOR NON PAYMENT OF DELINQUENT TAXES FOR THE
FISCAL YEAR: 1995-1996
AND SUBSEQUENT DELINQUENCIES.
AMOUNT TO REDEEM: \$36,078.84.
PRIOR TO: OCTOBER 31, 1998.
PARCEL NO: 8011-016-015.

- 1Y. THE LIEN OF SUPPLEMENTAL TAXES AND/OR ADJUSTED TAXES, IF ANY, ASSESSED

PURSUANT TO THE CALIFORNIA REVENUE AND TAXATION CODE.

THE FOLLOWING EXCEPTIONS AFFECTS PARCELS A, B, C, D, E, F AND G

2. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PUBLIC ROAD AND HIGHWAY PURPOSES.
AFFECTS: THE EASTERLY 30 FEET OF PARCELS G, E AND F
RECORDED: AUGUST 23, 1916 AS INSTRUMENT NO. 74 IN BOOK 6283 PAGE 341 OF DEEDS.
3. AFFECTS PARCEL D
AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: A PIPELINE.
AFFECTS: SAID LINES TO BE LAID AS CLOSE AS PRACTICABLE TO THE EAST LINE OF THE EAST 20 ACRES OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID LINE EXTENDING FROM THE NORTH LINE TO THE SOUTH LINE OF PARCEL D
RECORDED: NOVEMBER 3, 1922 AS INSTRUMENT NO. 845 IN BOOK 1430 PAGE 265, OFFICIAL RECORDS.
4. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPELINES AND POLE LINES.
AFFECTS: A STRIP OF LAND 10 FEET WIDE IN PARCEL G, THE CENTERLINE OF WHICH IS DISTANT 5 FEET SOUTHERLY FROM AND PARALLEL WITH THE SOUTHERLY LINE OF LITTLE LAKE ROAD (NOW FLORENCE AVENUE LOCATED PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE)
RECORDED: (REGISTERED) JUNE 8, 1923 AS DOCUMENT NO. 39443 BC 19902 OF TORRENS AND RECORDED JULY 17, 1923 AS INSTRUMENT NO. 8700 IN BOOK 2337 PAGE 364, OFFICIAL RECORDS
5. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPELINES.
AFFECTS: A STRIP OF LAND 10 FEET IN WIDTH ALONG THE EASTERLY LINE OF SAID PARCEL A & C AND LOCATED WITHIN FLORENCE AVENUE
RECORDED: JULY 13, 1923 AS INSTRUMENT NO. 1109 IN BOOK 2301 PAGE 227, OFFICIAL RECORDS.
6. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPELINE
AFFECTS: A STRIP OF LAND 10 FEET IN WIDTH, THE CENTERLINE OF WHICH IS DESCRIBED AS FOLLOWS:

A LINE SOUTHERLY FROM, PARALLEL WITH AND DISTANT 25 FEET FROM THE NORTHERLY BOUNDARY OF SAID PARCEL D LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: (REGISTERED) JUNE 26, 1923 AS DOCUMENT NO. 40052 AU-17599

AND (REGISTERED) AUGUST 9, 1923 AS DOCUMENT NO. 42590 AU
17599.

7. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPELINES.
AFFECTS: A PORTION OF PARCEL G LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: (REGISTERED) AUGUST 28, 1923 AS DOCUMENT NO. 43271 BC-19902 OF TORRENS AND RECORDED AUGUST 31, 1923 AS INSTRUMENT NO. 1478 IN BOOK 2800 PAGE 57, OFFICIAL RECORDS.
8. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPELINES.
AFFECTS: THE NORTH 10 FEET OF SAID PARCELS A & B LYING PARALLEL WITH THE SOUTH LINE OF LITTLE LAKE ROAD (NOW FLORENCE AVENUE LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: AUGUST 31, 1923 AS INSTRUMENT NO. 1556 IN BOOK 2438 PAGE 396, OFFICIAL RECORDS.
9. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: A PIPELINE.
AFFECTS: A PORTION OF PARCEL G LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: SEPTEMBER 17, 1923 AS INSTRUMENT NO. 1248 IN BOOK 2516 PAGE 280, OFFICIAL RECORDS.
10. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: A PIPELINE.
AFFECTS: A PORTION OF PARCELS E AND F AS DESCRIBED THEREIN AND LOCATED PARTLY WITHIN THE RIGHT OF WAY FOR BLOOMFIELD AVENUE
RECORDED: OCTOBER 18, 1923 AS INSTRUMENT NO. 1532 IN BOOK 2690 PAGE 273, OFFICIAL RECORDS.
11. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: A PIPELINE.
AFFECTS: A PORTION OF PARCELS E AND G, AS DESCRIBED THEREIN AND LOCATED PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: NOVEMBER 15, 1923 AS INSTRUMENT NO. 1773 IN BOOK 2915 PAGE 108, OFFICIAL RECORDS.
12. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPELINES AND A SINGLE LINE OF POLES FOR TELEPHONE AND TELEGRAPH LINES.
AFFECTS: A STRIP OF LAND 10 FEET WIDE, THE CENTERLINE OF WHICH IS 5 FEET NORTH OF THE NORTH LINE OF COUNTY ROAD ALONG THE

SOUTH LINE OF SAID PARCEL E AND LOCATED PARTLY WITHIN THE
RIGHT OF WAY FOR BLOOMFIELD AVENUE
RECORDED: MAY 4, 1926 IN BOOK 4595 PAGE 355, OFFICIAL RECORDS.

13. AFFECTS PARCELS A & B.

AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT

FOR: A PIPELINE.

AFFECTS: SOUTH OF AND AS CLOSE AS PRACTICABLE TO THE SOUTH LINE OF
LITTLE LAKE ROAD (NOW FLORENCE AVENUE) AFFECTING PARCELS
A AND B LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE
AVENUE)

RECORDED: NOVEMBER 28, 1928 AS INSTRUMENT NO. 1403 IN BOOK 7317 PAGE
275, OFFICIAL RECORDS.

14. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT

FOR: A PIPELINE.

AFFECTS: A PORTION OF PARCEL C, AS DESCRIBED THEREIN AND LOCATED
WITHIN FLORENCE AVENUE

RECORDED: NOVEMBER 28, 1928 AS INSTRUMENT NO. 1404 IN BOOK 7384 PAGE
75, OFFICIAL RECORDS.

15. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT

FOR: PUBLIC UTILITIES.

AFFECTS: PORTIONS OF PARCELS E AND F AS DESCRIBED THEREIN.

RECORDED: (REGISTERED) JANUARY 21, 1929 AS DOCUMENT NO. 159968 FM-
54032 OF TORRENS.

16. AFFECTS PARCEL A.

AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT

FOR: A PIPELINE.

AFFECTS: A STRIP OF LAND 10 FEET IN WIDTH ON PARCEL A, THE CENTERLINE
OF WHICH IS DESCRIBED AS FOLLOWS:

A LINE 5 FEET EASTERLY FROM AND PARALLEL WITH THE
WESTERLY LINE OF THE EAST HALF OF THE SOUTHWEST QUARTER
OF THE SOUTHEAST QUARTER OF SAID SECTION 6.

RECORDED: NOVEMBER 13, 1929 AS INSTRUMENT NO. 1241 IN BOOK 9451 PAGE
336, OFFICIAL RECORDS.

17. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT

FOR: A PIPELINE.

AFFECTS: A STRIP OF LAND 10 FEET IN WIDTH THE CENTERLINE OF WHICH IS
DESCRIBED AS FOLLOWS:

A LINE 5 FEET EASTERLY FROM AND PARALLEL WITH THE
WESTERLY BOUNDARY OF SAID PARCELS A AND B AND PARTLY

RECORDED: LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
NOVEMBER 13, 1929 AS INSTRUMENT NO. 1242 IN BOOK 9387 PAGE
333, OFFICIAL RECORDS.

18. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC ROAD AND HIGHWAY PURPOSES.

AFFECTS: THE SOUTHERLY 30 FEET OF PARCEL A AND LOCATED WITHIN THE
RIGHT OF WAY FOR LAKE LAND ROAD

RECORDED: OCTOBER 2, 1930 AS INSTRUMENT NO. 1348 IN BOOK 10259 PAGE
391, OFFICIAL RECORDS.

19. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC UTILITIES.

AFFECTS: THE SOUTHERLY 30 FEET OF PARCEL D AND LOCATED WITHIN THE
RIGHT OF WAY FOR LAKE LAND ROAD

RECORDED: (REGISTERED) OCTOBER 2, 1930 AS DOCUMENT NO. 195364 EW-
4928S.

20. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: SINGLE LINE OF POLES AND WIRES.

AFFECTS: THE NORTH 10 FEET OF PARCELS A, B AND C AND LOCATED WITHIN THE
RIGHT OF WAY FOR FLORENCE AVENUE

RECORDED: APRIL 6, 1932 AS INSTRUMENT NO. 1153 IN BOOK 11464 PAGE 296,
OFFICIAL RECORDS.

21. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PIPE LINES.

AFFECTS: A PORTION OF PARCELS A AND D, AS DESCRIBED THEREIN AND
LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE

RECORDED: MAY 25, 1933 AS INSTRUMENT NO. 984 IN BOOK 12205 PAGE 119,
OFFICIAL RECORDS, AND REGISTERED JUNE 13, 1933 AS
DOCUMENT NO. 8670-B TORRENS EW-49285.

22. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: POLES .

AFFECTS: A PORTION OF PARCEL C, AS DESCRIBED THEREIN AND LOCATED
PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE

RECORDED: AUGUST 6, 1941 AS INSTRUMENT NO. 1643 IN BOOK 18578 PAGE 386,
OFFICIAL RECORDS.

23. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC UTILITIES.

AFFECTS: A PORTION OF PARCEL A, AS DESCRIBED THEREIN.

RECORDED: JULY 16, 1953 AS INSTRUMENT NO. 2115 IN BOOK 42232 PAGE 152,
OFFICIAL RECORDS.

24. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS

PROVIDED IN A DOCUMENT

FOR: PUBLIC UTILITIES.
AFFECTS: A PORTION OF PARCEL A, AS DESCRIBED THEREIN.
RECORDED: OCTOBER 6, 1953 AS INSTRUMENT NO. 2234 IN BOOK 42860 PAGE 119, OFFICIAL RECORDS.

25. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: POLES.
AFFECTS: THE EASTERLY 10 FEET OF THE NORTHERLY 475 FEET OF PARCEL C AND LOCATED PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: OCTOBER 26, 1954 AS INSTRUMENT NO. 3079 IN BOOK 45939 PAGE 26, OFFICIAL RECORDS.
26. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: POLES.
AFFECTS: A PORTION OF PARCEL D, AS DESCRIBED THEREIN AND LOCATED PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: JUNE 9, 1955 AS INSTRUMENT NO. 4064 IN BOOK 48021 PAGE 422, OFFICIAL RECORDS.
27. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: POLES AND A TRANSFORMER STATION.
AFFECTS: A PORTION OF PARCELS A AND D AS DETERMINED THEREIN.
RECORDED: JUNE 23, 1958 AS INSTRUMENT NO. 3196 IN BOOK D135 PAGE 79, OFFICIAL RECORDS.
28. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: POLES.
AFFECTS: A PORTION OF PARCEL D, AS DESCRIBED THEREIN.
RECORDED: APRIL 7, 1961 AS INSTRUMENT NO. 4451 IN BOOK D1182 PAGE 294, OFFICIAL RECORDS.
29. AFFECTS PARCELS A, B AND C.

THE TERMS AND PROVISIONS SET OUT IN THAT CERTAIN DOCUMENT ENTITLED AGREEMENT, WITH THE CITY OF SANTA FE SPRINGS REGARDING INSTALLATION OF CURBS, GUTTERS AND SIDEWALK, RECORDED MARCH 25, 1964 AS INSTRUMENT NO. 4278 IN BOOK M1482 PAGE 652, OFFICIAL RECORDS.
30. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: POLES.
AFFECTS: A PORTION OF PARCEL D, AS DESCRIBED THEREIN AND LOCATED PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: JUNE 18, 1964 AS INSTRUMENT NO. 5294 IN BOOK D2515 PAGE 501, OFFICIAL RECORDS.
31. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS

PROVIDED IN A DOCUMENT

FOR: POLES, TOWERS, TRANSFORMERS, FENCES AND CONCRETE PADS.
AFFECTS: A PORTION OF PARCELS C AND D, AS DESCRIBED THEREIN.
RECORDED: MAY 5, 1967 AS INSTRUMENT NO. 3176 IN BOOK D3635 PAGE 365,
OFFICIAL RECORDS.

32. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC STREET OR HIGHWAY (FLORENCE AVENUE) AND PUBLIC UTILITIES.

AFFECTS: A PORTION OF PARCELS A, C AND B AS DESCRIBED THEREIN.

RECORDED: FEBRUARY 10, 1972 AS INSTRUMENT NO. 3692.

TOGETHER WITH A SLOPE EASEMENT FOR, AND THE RIGHT TO CONSTRUCT, MAINTAIN, OPERATE, AND USE CUTS AND/OR FILLS AND APPURTENANT STRUCTURES IN AND ACROSS THE REAL PROPERTY IN ABOVE MENTIONED CITY.

33. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC STREET OR HIGHWAY (FLORENCE AVENUE) AND PUBLIC UTILITIES.

AFFECTS: PORTIONS OF PARCEL D AS DESCRIBED THEREIN.

RECORDED: FEBRUARY 10, 1972 AS INSTRUMENT NO. 3693.

TOGETHER WITH SLOPE EASEMENTS FOR, AND THE RIGHT TO CONSTRUCT, MAINTAIN, OPERATE, AND USE, CUTS AND/OR FILLS AND APPURTENANT STRUCTURES IN AND ACROSS THE REAL PROPERTY IN ABOVE MENTIONED CITY, DESCRIBED THEREIN.

34. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC STREET OR HIGHWAY (FLORENCE AVENUE) AND PUBLIC UTILITIES.

AFFECTS: PORTION OF PARCEL G, AS DESCRIBED THEREIN.

RECORDED: FEBRUARY 10, 1972 AS INSTRUMENT NO. 3694 AND RECORDED MARCH 27, 1972 AS INSTRUMENT NO. 2549

TOGETHER WITH SLOPE EASEMENTS FOR, AND THE RIGHT TO CONSTRUCT, MAINTAIN, OPERATE AND USE AND/OR FILLS AND APPURTENANT STRUCTURES IN AND ACROSS THE REAL PROPERTY IN AND ABOVE MENTIONED CITY, DESCRIBED THEREIN.

35. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC STREET OR HIGHWAY (FLORENCE AVENUE) AND PUBLIC UTILITIES.

AFFECTS: PORTION OF PARCEL C, AS DESCRIBED THEREIN.

RECORDED: FEBRUARY 10, 1972 AS INSTRUMENT NO. 3695.

TOGETHER WITH A SLOPE EASEMENT FOR, AND RIGHT TO CONSTRUCT, MAINTAIN, OPERATE AND USE, CUTS AND/OR FILLS AND APPURTENANT STRUCTURES IN AND ACROSS THE REAL PROPERTY IN AND ABOVE MENTIONED CITY, DESCRIBED THEREIN.

36. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT

FOR: PUBLIC STREET OR HIGHWAY AND PUBLIC UTILITIES.
AFFECTS: PORTION OF PARCELS E AND G, AS DESCRIBED THEREIN.
RECORDED: MARCH 27, 1972 AS INSTRUMENT NO. 2547 AND RECORDED MARCH
27, 1972 AS INSTRUMENT NO. 2548

TOGETHER WITH EASEMENT FOR, AND THE RIGHT TO CONSTRUCT, MAINTAIN, OPERATE,
AND USE, STORM DRAINS AND APPURTENANT STRUCTURES IN AND ACROSS THE REAL
PROPERTY IN ABOVE MENTIONED CITY, DESCRIBED THEREIN.

ALSO TOGETHER WITH SLOPE EASEMENTS FOR, AND THE RIGHT TO CONSTRUCT,
MAINTAIN, OPERATE, AND USE, CUTS AND/OR FILLS AND APPURTENANT STRUCTURES IN
AND ACROSS THE REAL PROPERTY IN ABOVE MENTIONED CITY, DESCRIBED THEREIN.

37. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT
FOR: PUBLIC STREET OR HIGHWAY (LAKELAND ROAD) AND PUBLIC
UTILITIES.
AFFECTS: PORTIONS OF PARCELS A AND D AND OTHER PROPERTY AS
DESCRIBED THEREIN AND LOCATED WITHIN THE RIGHT OF WAY
FOR LAKELAND ROAD.
RECORDED: NOVEMBER 7, 1975 AS INSTRUMENT NO. 3610.
38. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT
FOR: PUBLIC STREET OR HIGHWAY (LAKELAND ROAD) AND PUBLIC
UTILITIES.
AFFECTS: PORTIONS OF PARCELS E AND F, AS DESCRIBED THEREIN AND
LOCATED WITHIN THE RIGHT OF WAY FOR BLOOMFIELD AVE.
RECORDED: NOVEMBER 7, 1975 AS INSTRUMENT NO. 3611.
39. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT
FOR: DRAINAGE.
AFFECTS: A PORTION OF PARCEL E, AS DESCRIBED THEREIN.
RECORDED: AUGUST 9, 1978 AS INSTRUMENT NO. 78-875864.
40. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS
PROVIDED IN A DOCUMENT
FOR: FLOOD CONTROL.
AFFECTS: PARCEL E, AS DESCRIBED THEREIN.
RECORDED: APRIL 10, 1990 AS INSTRUMENT NO. 90-676437.
41. AFFECTS PROPERTY IN QUESTION AND OTHER PROPERTY.
- THE TERMS AND PROVISIONS SET OUT IN THAT CERTAIN DOCUMENT ENTITLED
MEMORANDUM OF SALE, RECORDED OCTOBER 2, 1995 AS INSTRUMENT NO. 95-1598585.
42. A FINANCING STATEMENT FILED IN THE OFFICE OF THE COUNTY RECORDER SHOWING:
DEBTOR: POWERINE OIL COMPANY.
SECURED PARTY: KENYEN PROJECTS LIMITED.
DATED: FEBRUARY 23, 1996.
RECORDED: FEBRUARY 26, 1996 AS INSTRUMENT NO. 96-307034.
PROPERTY COVERED: PROPERTY IN QUESTION AND OTHER PROPERTY.

43. A TEMPORARY PROTECTIVE ORDER AFFECTING A WRIT OF ATTACHMENT, ATTACHING ALL RIGHT, TITLE AND INTEREST OF:
DEFENDANT: POWERINE OIL COMPANY, ETC, ET AL.
STANDING OF RECORD IN THE NAME
OF: POWERINE OIL COMPANY, ETC, ET AL.
COURT: SUPERIOR COURT OF CALIFORNIA.
CASE NO.: BC 177983.
ENTITLED: DEMETRIOU, DEL GUERCIO, SPRINGER & MOYER, LLP, ETC.
VS.: POWERINE OIL COMPANY, ETC, ET AL.
RECORDED: SEPTEMBER 22, 1997 AS INSTRUMENT NO. 97-1465335.
44. AN ATTACHMENT ISSUED ATTACHING ALL RIGHT, TITLE AND INTEREST OF
DEFENDANT: POWERINE OIL COMPANY.
STANDING OF RECORD IN THE NAME
OF: DEMETRIOU, DEL GUERCIO, SPRINGER & MOYER, LLP.
COURT: SUPERIOR COURT.
CASE NO.: BC177983.
ENTITLED: DEMETRIOU, DEL GUERCIO
VS.: POWERINE OIL COMPANY.
RECORDED: OCTOBER 30, 1997 AS INSTRUMENT NO. 97-1724892.
45. A DEED OF TRUST TO SECURE AN INDEBTEDNESS.
FACE AMOUNT: \$344,186.84.
TRUSTOR: POWERINE OIL COMPANY, A CALIFORNIA CORPORATION .
TRUSTEE: CHICAGO TITLE COMPANY, A CALIFORNIA CORPORATION.
BENEFICIARY: DEMETRIOU, DEL GUERCIO, SPRINGER & MOYER, LLP.
DATED: (NOT SHOWN) .
RECORDED: DECEMBER 31, 1997 AS INSTRUMENT NO. 97-2048245.

THE FOLLOWING EXCEPTIONS AFFECTS PARCEL H:

46. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: ROAD, RAILROAD, DITCHES AND GATES
AFFECTS: A STRIP OF LAND 30 FEET WIDE LOCATED WITHIN THE RIGHT OF WAY FOR BLOOMFIELD AVENUE AND LAKE LAND ROAD
RECORDED: IN BOOK 250 PAGE 57 OF DEEDS.
47. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: ROAD PURPOSES
AFFECTS: SAID LAND LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE AND BLOOMFIELD AVENUE
RECORDED: DECEMBER 27, 1909 AS INSTRUMENT NO. 53 IN BOOK 4013 PAGE 79 OF DEEDS.
48. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: ROAD PURPOSES (ANAHEIM STREET NOW KNOWN AS BLOOMFIELD AVENUE)
AFFECTS: THE WESTERLY 30 FEET
RECORDED: AUGUST 23, 1916 AS INSTRUMENT NO. 74 IN BOOK 6283 PAGE 341

OF DEEDS.

49. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: A PIPE LINE
AFFECTS: SAID LAND.
RECORDED: (REGISTERED) JANUARY 4, 1923 AS DOCUMENT NO. 32750 TORRENS AND RECORDED JANUARY 16, 1923 AS INSTRUMENT NO. 1355 IN BOOK 1585 PAGE 384, OFFICIAL RECORDS .
50. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PIPE LINES.
AFFECTS: A PORTION OF SAID LAND LOCATED WITHIN THE RIGHT OF WAY FOR LAKE LAND ROAD
RECORDED: MAY 4, 1926 AS INSTRUMENT NO. 1370 IN BOOK 5927 PAGE 166, OFFICIAL RECORDS .
51. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: A PIPE LINE .
AFFECTS: SAID PIPE LINE TO BE LAID SOUTH OF AND AS CLOSE AS PRACTICABLE TO THE SOUTH LINE OF THE ROAD ADJOINING SAID LAND ON THE NORTH LOCATED WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE AND BLOOMFIELD AVENUE
RECORDED: DECEMBER 7, 1925 AS INSTRUMENT NO. 1449 IN BOOK 4534 PAGE 203, OFFICIAL RECORDS .
52. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PUBLIC UTILITIES .
AFFECTS: THE SOUTHERLY 30 FEET OF SAID LAND LOCATED WITHIN THE RIGHT OF WAY FOR LAKE LAND ROAD
RECORDED: (REGISTERED) NOVEMBER 13, 1930 AS DOCUMENT NOS. 197101 AND 197100 TORRENS.
53. THE PERPETUAL RIGHT TO GO AND BE UPON THE NORTH 500 FEET OF SAID LAND IN ANY AND EVERY WAY AND MEANS AS MAY BE NECESSARY, PROPER OR CONVENIENT FOR THE SOLE AND ONLY PURPOSE OF DEVELOPING, EXTRACTING AND REMOVING ALL MINERALS, ORES, METALS, OIL AND VALUABLE MINERAL DEPOSITS INCLUDING THE RIGHT TO ERECT, USE, AND MAINTAIN IN, UPON OR UNDER ALL OR ANY PART OF SAID PORTION OF SAID PARCELS 1 AND 3, SUCH PLANTS, WELLS, MACHINERY, DERRICKS, PUMPS, TANKS, BUILDINGS, STRUCTURES, EQUIPMENT, PIPE LINES, ELECTRIC, TELEGRAPH AND TELEPHONE LINES AND HIGHWAYS AS MAY AT ANY TIME BE REQUIRED FOR SAID PURPOSE OF DEVELOPING, EXTRACTING AND REMOVING ALL OR ANY OF THE FOR SAID PURPOSE OF DEVELOPING, EXTRACTING AND REMOVING ALL OR ANY OF THE AFORESAID MINERALS ETC., AS RESERVED BY JULIA M. BAKER, IN THE DEED REGISTERED ON FEBRUARY 4, 1935 UNDER THE PROVISIONS OF THE LAND TITLE LAW AS DOCUMENT NO. 1451D, TORRENS
54. AN OIL AND GAS LEASE AFFECTING SAID LAND LYING BELOW A DEPTH OF (NOT SHOWN) FEET FROM THE SURFACE THEREOF, FOR THE TERM AND UPON THE TERMS, CONDITIONS AND COVENANTS THEREIN PROVIDED,

LESSOR: Ex. 6 Personal Privacy
LESSEE: Ex. 6 Personal Privacy
RECORDED: (REGISTERED) FEBRUARY 25, 1935 AS DOCUMENT NO. 2382D,
TORRENS.

MATTERS AFFECTING THE PRESENT INTEREST OF THE LESSOR OR LESSEE ARE NOT SHOWN HEREIN.

55. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: STREET AND PUBLIC UTILITIES .
AFFECTS: A PORTION OF SAID LAND LOCATED WITHIN THE RIGHT OF WAY FOR BLOOMFIELD AVENUE AND LAKELAND ROAD
RECORDED: AUGUST 18, 1976 AS INSTRUMENT NO. 3420.
56. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: STREET, DRAINAGE AND SLOPES, CUTS AND FILLS.
AFFECTS: A PORTION OF SAID LAND AND PARTLY WITHIN THE RIGHT OF WAY FOR FLORENCE AVENUE
RECORDED: JUNE 1, 1978 AS INSTRUMENT NO. 78-587639 AND RECORDED MAY 19, 1980 AS INSTRUMENT NO. 80-496899
57. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: PUBLIC UTILITIES, SANITARY SEWERS AND WATER MAIN.
AFFECTS: A PORTION OF SAID LAND.
RECORDED: DECEMBER 20, 1979 AS INSTRUMENT NO. 79-1427873.
58. THE TERMS AND PROVISIONS SET OUT IN THAT CERTAIN DOCUMENT ENTITLED AGREEMENT, RECORDED MAY 19, 1981 AS INSTRUMENT NO. 81-532982.
59. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: UNDERGROUND ELECTRICAL SUPPLY SYSTEMS AND COMMUNICATION SYSTEMS.
AFFECTS: A PORTION OF SAID LAND.
RECORDED: APRIL 29, 1987 AS INSTRUMENT NO. 87-671448.
60. AN EASEMENT FOR PURPOSES HEREIN STATED, AND RIGHTS INCIDENTAL THERETO AS PROVIDED IN A DOCUMENT
FOR: FLOOD CONTROL.
AFFECTS: SAID LAND .
RECORDED: APRIL 10, 1990 AS INSTRUMENT NO. 90-676437.
61. A FINANCING STATEMENT FILED IN THE OFFICE OF THE COUNTY RECORDER SHOWING:
DEBTOR: POWERINE OIL COMPANY.
SECURED PARTY: KENYEN PROJECTS LIMITED.
DATED: FEBRUARY 23, 1996.
RECORDED: FEBRUARY 26, 1996 AS INSTRUMENT NO. 96-307034.
PROPERTY COVERED: SAID LAND AND OTHER LANDS.

THE FOLLOWING EXCEPTIONS AFFECTS ALL PARCELS:

62. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$1,038.23.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782165.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590953.
63. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$55.63.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782166.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590954.
64. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$111.27.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782167.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590955.
65. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$111.65
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782168.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590956.
66. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$111.27.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782169.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590957.
67. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$1,112.83
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782170.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590958.
68. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$219.67.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782171.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590959.
69. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$320.13.

TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782172.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590960.

70. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$1,112.83.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782196.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590961.

71. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$556.41.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782197.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590962.

72. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$24.78.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782173.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590963.

73. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$136.54
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782174.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590964.

74. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$109.10.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782175.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590965.

75. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$88.57
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782176.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590966.

76. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$89.87
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782177.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590967.

77. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$131.04
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782178.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590968.
78. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$106.42
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782179.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590969.
79. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$72.23
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782180.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590970.
80. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$439.12
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782181.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590971.
81. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$29.01.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782182.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590972.
82. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$23.58.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782183.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590973.
83. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$206.22
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782184.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590974.
84. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$178.23
TAXPAYER: POWERINE OIL CO.

YEAR/ACCOUNT NO.: 96/40782185.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590977.

85. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$142.79
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782186.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590978.
86. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$42.91
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782187.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590979.
87. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$99.57
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782188.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590980.
88. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$458.30
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782189.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590981.
89. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$72.61
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782190
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590982.
90. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$39.29
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782191.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590983.
91. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.
AMOUNT: \$60.46
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782192.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590984.
92. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY

OF LOS ANGELES.
AMOUNT: \$76.23
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782193.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590985.

93. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$187.79
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782194.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590986.

94. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$31.93
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40782195.
RECORDED: OCTOBER 14, 1997 AS INSTRUMENT NO. 97-1590987.

95. A JUDGMENT IN THE AMOUNT OF \$14,335.31.

AGAINST: POWERINE OIL COMPANY, A CALIFORNIA CORPORATION .
IN FAVOR OF: SPACE LEASING COMPANY, A CALIFORNIA CORPORATION .
ENTERED: NOVEMBER 21, 1997.
COURT: LOS ANGELES MUNICIPAL COURT.
CASE NO.: 97C00991.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: JANUARY 12, 1998 AS INSTRUMENT NO. 98-52232.

96. A JUDGMENT IN THE AMOUNT OF \$109,697.97.

AGAINST: POWERINE OIL COMPANY.
IN FAVOR OF: BRAGG INVESTMENT COMPANY, INC.
ENTERED: DECEMBER 23, 1997.
COURT: SUPERIOR COURT OF THE STATE OF CALIFORNIA COUNTY OF LOS ANGELES - SOUTH DISTRICT, LONG BEACH.
CASE NO.: NC022421.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: JANUARY 28, 1998 AS INSTRUMENT NO. 98-143613.

97. A JUDGMENT IN THE AMOUNT OF \$135,043.95.

AGAINST: POWERINE OIL COMPANY.
IN FAVOR OF: PETRO-CHEMICAL INSULATION, INC.
ENTERED: FEBRUARY 19, 1998.
COURT: SOLANO COUNTY SUPERIOR COURT.
CASE NO.: L 008041.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: MARCH 2, 1998 AS INSTRUMENT NO. 98-331610.

98. A LIEN DUE THE STATE OF CALIFORNIA,

DEPARTMENT: STATE BOARD OF EQUALIZATION.
CERTIFICATE NO.: BE-0831218.
ACCOUNT NO.: (NOT SHOWN) .
AMOUNT: \$270,106.97

CONFIDENTIAL

TAXPAYER: POWERINE OIL COMPANY.
RECORDED: MARCH 4, 1998 AS INSTRUMENT NO. 98-350169.

99. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$384.79.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/40150981.
RECORDED: MARCH 9, 1998 AS INSTRUMENT NO. 98-378158.

100. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$571.82.
TAXPAYER: POWERINE OIL CO.
YEAR/ACCOUNT NO.: 96/49956495.
RECORDED: MARCH 9, 1998 AS INSTRUMENT NO. 98-378159.

101. INTENTIONALLY DELETED.

102. INTENTIONALLY DELETED.

103. INTENTIONALLY DELETED.

104. A JUDGMENT IN THE AMOUNT OF \$3,000,000.00.
AGAINST: POWERINE OIL COMPANY, A CALIFORNIA CORPORATION .
IN FAVOR OF: KENYEN PROJECTS LIMITED.
ENTERED: FEBRUARY 5, 1998.
COURT: LOS ANGELES COUNTY SUPERIOR COURT.
CASE NO.: BC 174697.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: JULY 8, 1998 AS INSTRUMENT NO. 98-1153926.

105. A JUDGMENT IN THE AMOUNT OF \$29,791.42.
AGAINST: POWERINE OIL CO., A CORPORATION .
IN FAVOR OF: M & N VALVE CORPORATION, A CALIFORNIA CORPORATION .
ENTERED: APRIL 14, 1998.
COURT: MUNICIPAL COURT, LONG BEACH JUDICIAL DISTRICT.
CASE NO.: 97C03835.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: JULY 23, 1998 AS INSTRUMENT NO. 98-1257929.

106. A JUDGMENT IN THE AMOUNT OF \$29,791.42.
AGAINST: POWERINE OIL CO., A CORPORATION .
IN FAVOR OF: M & N VALVE CORPORATION, A CALIFORNIA CORPORATION .
ENTERED: APRIL 14, 1998.
COURT: MUNICIPAL COURT, LONG BEACH JUDICIAL DISTRICT.
CASE NO.: 97C03835.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: SEPTEMBER 8, 1998 AS INSTRUMENT NO. 98-1604417.

107. A JUDGMENT IN THE AMOUNT OF \$387,237.34.
AGAINST: POWERINE OIL COMPANY, POC ACQUISITION CORPORATION AND
ENERGY MERCHANTS CORPORATION.

IN FAVOR OF: CASTLE ENERGY CORPORATION.
ENTERED: SEPTEMBER 2, 1998.
COURT: LOS ANGELES COUNTY SUPERIOR COURT.
CASE NO.: BC 192026.
AN ABSTRACT OF WHICH JUDGMENT WAS
RECORDED: SEPTEMBER 23, 1998 AS INSTRUMENT NO. 98-1722546.

108. MATTERS WHICH MAY BE DISCLOSED BY INSPECTION AND/OR SURVEY OF SAID LAND OR BY INQUIRY OF PARTIES IN POSSESSION THEREOF.

WE WILL INFORM YOU AS TO WHETHER CLTA INDORSEMENT 100 CAN BE INCLUDED IN THE POLICY WHEN OUR INSPECTION OF THE LAND OR OTHER INVESTIGATION HAS BEEN COMPLETED.

109. THE PREMIUM FOR A POLICY OF TITLE INSURANCE, IF ISSUED, WILL BE BASED ON THE SHORT TERM RATE.

110. NOTE: WIRING INSTRUCTIONS FOR FIRST AMERICAN TITLE COMPANY OF LOS ANGELES-TITLE DEPARTMENT.

ALL FUNDS WIRED FOR THIS ORDER ARE TO BE WIRED TO:

COMERICA BANK - CALIFORNIA
21535 HAWTHORNE BOULEVARD
TORRANCE, CALIFORNIA 90503

ABA #121137522
ACCT #1891059220
ORDER NO.: 9837042-40

FUNDS FOR OTHER LOANS BEING INSURED BY FIRST AMERICAN TITLE MUST NOT BE COMBINED INTO ONE WIRE - OR FUNDS MAY BE RETURNED.

111. A LIEN FOR UNSECURED PROPERTY TAXES IN FAVOR OF THE TAX COLLECTOR, COUNTY OF LOS ANGELES.

AMOUNT: \$2335.69.
TAXPAYER: POWERINE OIL CO..
YEAR/ACCOUNT NO.: 89/49841553.
RECORDED: MARCH 5, 1991 AS INSTRUMENT NO. 91-311570.

Memo to File Cenco Refining Company

Date January 27, 1999

From Linda C. Balabanian
Sacramento

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cc Michael Egner, Cenco Refining Company
Steve Cook, KPMG - Dallas
Robert Salazar, KPMG - Sacramento**Re Sales and Use Tax Liability/Sale of Assets by Powerine to Cenco****Facts:**

On August 6, 1998, Cenco Refining Company (Cenco) purchased all the assets of Powerine Oil Company (Powerine). Pursuant to the Asset Purchase Agreement dated July 24, 1998, "the land and improvements constituting a refinery, together with miscellaneous assets previously used in conjunction therewith, including a pipeline system and miscellaneous items of equipment and other personal property" were the assets transferred.

Powerine had discontinued their refinery business at least two years prior to the sale of the assets to Cenco. Powerine is a dormant corporation but still holds an active California seller's permit with the State Board of Equalization. Powerine's only business activity since August 1996 has been the rental of a portion of its pipeline to a third party. Powerine and Cenco are not related.

Query:

1. Is there a California sales and use tax liability related to the sale of assets by Powerine to Cenco?
2. If so, what is the amount of liability and on what is it based?

Conclusion:

- *Occasional Sale* - If Powerine made no other sales of tangible personal property in the twelve month period preceding the period in which the sale of assets was made, the sale may qualify as an occasional sale, exempt from sales and use tax.
- *Sale of Assets* - If, however, it is determined that the sale of assets to Cenco does not qualify as an exempt occasional sale, the portion of the selling price attributable to the transfer of tangible personal property will be subject to sales and use tax unless otherwise exempt. Sales of real property or property which takes on the characteristics of real property are not subject to sales and use tax. In addition, Cenco may be able to claim a partial manufacturing exemption equal to five percent of the

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purchase price for the purchase of the tangible personal property purchased from Powerine to be used primarily in the manufacturing or refining process.

Discussion:

Occasional Sales

Tax applies to all retail sales of tangible personal property including capital assets whether sold in one transaction or in a series of sales, held or used by the seller in the course of an activity or activities for which a seller's permit or permits is required or would be required if the activity or activities were conducted in this state. Generally, a person who makes three or more sales for substantial amounts in a period of 12 months is required to hold a seller's permit regardless of whether the sales are at retail or are for resale. Each sale made during the 12 month period is included in determining whether that person is required to hold a permit, or would be required to hold a permit if the activities were conducted entirely inside this state. Thus, a sale occurring outside California, whether at retail or for resale, is included, even though it would not be subject to California sales tax. A person who makes a substantial number of sales for relatively small amounts is also required to hold a seller's permit.

Tax does not apply to a sale of property held or used in the course of an activity not requiring the holding of a seller's permit unless the sale is one of a series of sales sufficient in number, scope and character to constitute an activity for which the seller is required to hold a seller's permit or would be required to hold a seller's permit if the activity were conducted in this state.

- Number - Generally the minimum number of sales to require the holding of a seller's permit by a person not otherwise engaged in a selling activity is three within any 12 month period. When making this calculation, sales of vehicles, mobilehomes, commercial coaches, vessels, or aircraft are excluded if the person making the sales is not a registered dealer of such property.
- Scope - The extent of the sales measured by their frequency or dollar volume.
- Character - This relates to the similarity in type and value giving effect to the taxpayer's operations. For example, a processor of food products for human consumption is not required to hold a seller's permit for the processing and sale of food products. Sales of obsolete or used machinery and similar items are of a character that three or more sales of sufficient scope will require the processor to hold a seller's permit for this selling activity.

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A seller's permit is required of a person engaged in the business of selling tangible personal property. An activity requiring the holding of that permit includes, but is not limited to, the acquisition and sale of tangible personal property, whether the person's sales are all at retail, all for resale, or include both sales at retail and sales for resale. Acquisition includes the obtaining of the property in any manner whatsoever. For example, raw materials may be purchased or may be obtained by extraction from the earth, air or waters of the earth. These may be sold in raw form or processed or manufactured into other raw materials, component parts or finished items which are sold. Each of these activities is an activity which is so related to the sale of tangible personal property, to be part of the activity requiring the holding of a seller's permit.¹

Given the circumstances, it is possible that Powerine may have made sales of capital assets such as machinery and equipment between the time it ceased operations in August 1996 and the date it made the final sale of assets to Cenco. Two such sales during the twelve month period preceding the sale of assets to Cenco would eliminate the possibility that Powerine's sale of assets to Cenco qualifies as an occasional sale. Powerine held an active California seller's permit at the time it sold the assets to Cenco. However, if Powerine did not carry out any activities requiring the holding of the permit, including the sale of assets, for at least the twelve months prior to that time, the sale of assets to Cenco may qualify as an occasional sale. If equipment which had previously been used in an activity requiring a seller's permit is retained at the time the activity is terminated with no present intent of selling it, a later sale of that equipment is not subject to tax.²

Sale of Assets

Taxable

If it is determined that the sale of assets by Powerine to Cenco does not qualify as an occasional sale, a portion of the selling price of the assets will be subject to sales and use tax.

Exempt Real Property

Sales and use tax does not apply to sales, use or other consumption of real property. The transfer of buildings or the like affixed to land is not taxable as a sale of tangible personal property when sold along with the land. In such instances, the buildings are considered real property and sales and use tax would not apply to the transfer thereof.

Exempt Property Affixed to Realty

The transfer "in place" of affixed fixtures, machinery and equipment is also considered a sale of realty when sold along with the land when removal of the fixtures, machinery or

¹ California Sales and Use Tax Regulation 1595(a)

² California Sales and Use Tax Annotation 395.1060

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equipment is not contemplated in the contract of sale.³ Any property affixed to the land or buildings sufficiently to constitute real property while thus affixed is not properly regarded as tangible personal property, for purposes of the sales and use tax, if sold in place, unless sold with the understanding that the purchaser would remove the property.⁴ Affixation generally requires physical attachment to the realty. However, property of a nature that its removal would require dismantling or may cause damage to the premises, is considered affixed to the realty when sold along with the land. Machinery and equipment, not affixed, as well as furniture and office equipment are tangible personal property and sales of such are subject to sales and use tax.

Exempt Sales for Resale

Sales or purchases of tangible personal property for the purpose of resale, either in the form in which sold or as an ingredient or component part of other tangible personal property are not subject to sales and use tax. The sale to manufacturers and processors of tangible personal property consumed in manufacturing that does not become a component part of the manufactured item is taxable. In determining whether an item was used in a manufacturing process or became part of a finished product, there are two factors to consider. First is whether the item is in fact physically present in the finished product. If so, the second factor is whether the item has a function in the finished product. If it primarily serves a beneficial purpose in the finished product, and it was included with the intention that it remain, it may be purchased for resale, even though it may also have served a secondary purpose, for example, as a catalyst.⁵

To the extent that Cenco purchased resale inventory from Powerine, such sales will not be subject to sales and use tax.⁶ Sales of Powerine's manufacturing aids and supplies inventories (classified as inventory but actually supply items) may be subject to sales and use tax. If Powerine has not made any use of this property prior to its sale to Cenco, Powerine may deduct the purchase price of the property assuming, with respect to its original purchase, Powerine has reimbursed its vendor for the sales tax or has paid the use tax.⁷ The net sales and use tax liability is based on the difference between the cost of the property on which the sales and use tax has been paid and Powerine's selling price of the property to Cenco. The deduction may not exceed the amount of the sale.

Estimated Sales and Use Tax Liability

Based on the information provided and without actual observation of the assets to determine the degree of affixation, some estimations of the level of sales and use tax

³ California Sales and Use Tax Regulation 1596

⁴ California Sales and Use Tax Annotation 150.0280

⁵ California Sales and Use Tax Annotation 440.1853

⁶ California Sales and Use Tax Regulation 1668

⁷ California Sales and Use Tax Regulation 1701

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liability may, nevertheless, be made. *This estimation assumes that Powerine's sale to Cenco does not qualify as an occasional sale. If Powerine's sale to Cenco qualifies as an occasional sale, no sales and use tax applies.*

Cenco purchased inventories valued at \$298,047 on the opening balance sheet and property, plant and equipment valued at \$53,155,131, consisting of land valued at \$1,671,407, processing units valued at \$31,501,166, and other machinery and equipment valued at \$19,982,558.

Inventories

Of the \$298,047 inventory, \$4,529 is classified as resale product inventory and its sale to Cenco is exempt from sales and use tax if Cenco provides Powerine with a valid resale certificate. Chemical and catalyst inventory is divided between warehouse inventory and operating inventory. Based on the nature of these two types of supply inventories, it is assumed that warehouse inventory consists of items which have never been used in the manufacturing process and operating inventory consists of items which may have already been used in the manufacturing process and may be used again.

Chemical and catalyst warehouse inventory valued at \$174,037 is assumed, based on the schedules provided, to consist of property primarily consumed in the manufacturing process and therefore subject to sales and use tax. However, it is further assumed that Powerine paid sales and use tax on the purchase price of these items when originally acquired, made no prior use of them, and transferred them to Cenco at or below cost. In this case, although sales and use tax applies to the sale of the items to Cenco, the taxable selling price would be offset by Powerine's credit for the tax paid purchases resold to Cenco.

Chemical and catalyst operating inventory valued at \$119,481 consists of some items which will be consumed in the manufacturing process and some items which will become component parts of the finished product. If no prior use has been made of this inventory by Powerine, the same sales and use tax considerations apply as explained above. If prior use has been made of these items by Powerine, sales and use tax applies to the selling price of that property which will be consumed in the manufacturing process subsequently sold to Cenco. Based on the nature of the items included on the inventory schedules provided, KPMG estimates that 50 percent of the chemical and catalyst operating inventory may have been so used and the value of them is therefore subject to sales and use tax. If Cenco staff have more accurate information regarding the valuation of the chemical and catalyst inventory of which prior use in the manufacturing process has been made, it should be substituted in the schedule below.

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Processing Units

Of the total purchase price, \$31,501,166 has been allocated as the value of the "processing units". Based on the extensive written descriptions of the processing units provided by Cenco, it appears that they consist primarily of real property, such as buildings and equipment so affixed as to become structural components of the buildings. The transfer "in place" of buildings, affixed fixtures, machinery and equipment is considered a sale of realty when sold along with the land when their removal is not contemplated in the contract of sale. Based on the information provided and discussions with KPMG personnel who have toured the facility, we expect that the total value of the processing units is attributable to real property and therefore not subject to sales and use tax.

Remaining Assets

Of the total purchase price, \$19,982,558 has been allocated as the value of all remaining assets. The Asset Purchase Agreement and supporting schedules of assets do not provide exact descriptions or valuations for the assets included in this category. It is our understanding that more detailed and descriptive information is not available. However, the descriptions provided, along with the impressions of KPMG personnel who have toured the facility are sufficient to arrive at a rough estimate of the probable sales and use tax liability associated with the transfer of these assets. According to discussion with Cenco staff, most assets that were movable and could be utilized elsewhere were removed from the refinery by Powerine when the refinery was shut down. Those assets included in the sale to Cenco were assets which were considered immovable or attached to the buildings in which they were installed. Since the majority of the assets included in this category are affixed to real property, it is estimated that no more than 25 percent of them will be considered tangible personal property and subject to sales and use tax. If Cenco staff have more accurate information regarding the valuation of the nonaffixed assets, it should be substituted in the schedule below.

Manufacturing Partial Exemption

Section 6377 of the California Revenue and Taxation Code provides an exemption from the state portion of the sales and use tax, equal to 5 percent, on purchases of tangible personal property for use in manufacturing and refining made by "qualified" persons. To be a qualified person, Cenco must have first commenced its new business activity after January 1, 1994 and be engaged in a manufacturing line of business described in Codes 2011 to 3999 of the Standard Industry Classification Manual. It is necessary to prequalify before the partial exemption is granted and prequalification must be completed within 60 days of acquiring the property on which the exemption is to be claimed. In addition, there are additional requirements that Cenco must fulfill to be considered a qualified person.

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Issues pertaining to Cenco's qualification for the manufacturing partial exemption are to be addressed in a separate engagement. For purposes of this analysis, sales and use tax liability based on the purchase of Powerine's assets is considered both with and without allowance for the manufacturer's partial exemption.

Briefly, the following calculation represents our best estimate of the sales and use tax liability associated with the sale of assets by Powerine to Cenco based on the documentation provided. If Cenco staff have more accurate information regarding the valuation of the nonaffixed assets or the chemical and catalyst inventory of which prior use in the manufacturing process has been made, this information should be substituted in the schedule below:

	Total	Taxable
Resale inventory	\$ 4,529	
Chemical & catalyst warehouse inventory	174,037	
Chemical & catalyst operating inventory (@50%)	119,481	\$ 59,741
Processing units	31,501,166	
All remaining assets (@25%)	19,982,558	4,995,640
Total asset purchase	\$ 51,781,771	\$ 5,055,380
Sales and use tax due @ 8.25%		
(without manufacturer's partial exemption)		<u>\$ 417,069</u>
Sales and use tax due @ 3.25%		
(with manufacturer's partial exemption)		<u>\$ 164,300</u>

* * * * *

Our conclusions are limited to the conclusions specifically set forth herein and are based on the completeness and accuracy of the above-stated facts, assumptions and representations. If any of the foregoing facts, assumptions or representations is not entirely complete or accurate, it is imperative that we be informed immediately, as the inaccuracy or incompleteness could have a material effect on our conclusions. We are

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relying upon the relevant provisions of the California Revenue and Taxation Code, as amended, the regulations thereunder, and the judicial and administrative interpretations thereof. These authorities are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our conclusions. We will not update our advice for subsequent changes or modifications to the law and regulations or to the judicial and administrative interpretations thereof.